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WT GROUP HOLDINGS LIMITED

WT 集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8422)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of WT Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (together as the “**Group**”) for the year ended 30 June 2021. This announcement, containing the full text of the 2020/21 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities (“**GEM Listing Rules**”) on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of annual results. Printed version of the 2020/21 annual report of the Company containing the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company in due course in the manner as required by the GEM Listing Rules.

The Company’s annual results announcement is published on the website of the Stock Exchange at <http://www.hkgem.com> and the Company’s website at www.wtgholdings.com.

By Order of the Board
WT Group Holdings Limited
Kam Kin Bun
Chairman and Executive Director

Hong Kong, 27 September 2021

As at the date of this announcement, the Board comprises Mr. Kam Kin Bun (Chairman), Mr. Kung Cheung Fai Patrick and Ms. Wong Mei Chun as executive Directors; Ms. Chan Sin Wa Carrie, Mr. Leung Chi Hung and Mr. Yu Tat Chi Michael as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at www.wtgholdings.com.

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

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Kam Kin Bun (*Chairman*)

Mr. Kung Cheung Fai Patrick

Ms. Wong Mei Chun (appointed on 28 July 2021)

Mr. Yip Shiu Ching (passed away on 24 September 2020)

Independent Non-executive Directors:

Ms. Chan Sin Wa Carrie (appointed on 28 July 2021)

Mr. Leung Chi Hung

Mr. Yu Tat Chi Michael (appointed on 20 September 2021)

Ms. Wong Lai Na (resigned on 28 July 2021)

Ms. Yen Kwun Wing (resigned on 28 July 2021)

AUDIT COMMITTEE

Mr. Leung Chi Hung (*Chairman*)

Ms. Chan Sin Wa Carrie (appointed on 28 July 2021)

Mr. Yu Tat Chi Michael (appointed on 20 September 2021)

Ms. Wong Lai Na (resigned on 28 July 2021)

Ms. Yen Kwun Wing (resigned on 28 July 2021)

NOMINATION COMMITTEE

Ms. Chan Sin Wa Carrie (*Chairman*) (appointed on 28 July 2021)

Mr. Kam Kin Bun (appointed on 28 July 2021)

Mr. Leung Chi Hung

Mr. Yu Tat Chi Michael (appointed on 20 September 2021)

Ms. Wong Lai Na (resigned on 28 July 2021)

Ms. Yen Kwun Wing (resigned on 28 July 2021)

REMUNERATION COMMITTEE

Ms. Chan Sin Wa Carrie (*Chairman*) (appointed on 28 July 2021)

Mr. Kam Kin Bun (appointed on 28 July 2021)

Mr. Leung Chi Hung

Mr. Yu Tat Chi Michael (appointed on 20 September 2021)

Ms. Wong Lai Na (resigned on 28 July 2021)

Ms. Yen Kwun Wing (resigned on 28 July 2021)

COMPLIANCE OFFICER

Mr. Kam Kin Bun

COMPANY SECRETARY

Mr. Lee Wai Chi

AUTHORISED REPRESENTATIVES

Mr. Kam Kin Bun

Mr. Lee Wai Chi

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A, 6/F, Evernew Commercial Centre

33 Pine Street, Tai Kok Tsui

Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited

Suites 3301-04, 33/F.

Two Chinachem Exchange Square

338 King's Road

North Point

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

AUDITORS

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

STOCK CODE

8422

COMPANY'S WEBSITE

<http://www.wtgholdings.com>

Chairman's Statement & Management Discussion and Analysis

Dear Shareholders,

On behalf of the board of Directors (the **"Board"**) of WT Group Holdings Limited (the **"Company"**), I am pleased to present our audited consolidated financial results of the Company and its subsidiaries (collectively, referred as to the **"Group"**), for the year ended 30 June 2021.

BUSINESS REVIEW

The Group is principally engaged in the provision of specialised works and general building works as a contractor in Hong Kong, through its operating subsidiaries. The Group undertakes specialised works which include (i) foundation and site formation works; (ii) demolition works; and (iii) ground investigation field works. The Group also undertakes general building works including superstructure building works, slope maintenance works, hoarding works, alteration and addition works and other miscellaneous construction works.

Revenue of the Group decreased from approximately HK\$61.2 million for the year ended 30 June 2020 to approximately HK\$33.8 million for the year ended 30 June 2021. Gross profit of the Group decreased from approximately HK\$2.4 million for the year ended 30 June 2020 to approximately HK\$2.1 million for the year ended 30 June 2021. Loss and total comprehensive loss for the year ended 30 June 2020 and 2021 amounted to approximately HK\$5.9 million and HK\$7.4 million, respectively. The net loss for the year ended 30 June 2021 was mainly attributable to the (i) impairment loss recognised on plant and equipment and right-of-use assets and (ii) reversal of temporary difference recognised as deferred tax assets in prior year.

FINANCIAL REVIEW

Revenue

For the year ended 30 June 2020 and 2021, the Group generated total revenue of approximately HK\$61.2 million and HK\$33.8 million, respectively. The decrease in revenue was mainly attributable to a decrease in the number of construction projects with large contract value undertaken by the Group for the year ended 30 June 2021 compared to the corresponding year in 2020.

Gross profit and gross profit margin

For the year ended 30 June 2020 and 2021, the Group recorded gross profit of approximately HK\$2.4 million and HK\$2.1 million, respectively and the gross profit margin of the Group was approximately 3.9% and 6.3% for the respective years. Increase in gross profit margin was primarily attributable to the projects mix that the Group carried out during the year ended 30 June 2021 which had generated a higher gross profit margin than those projects carried out during the corresponding year in 2020.

Administrative expenses

The Group's administrative expenses mainly consist of employee benefits expenses including Director's emoluments, audit fees and other professional fees. Our administrative expenses amounted to approximately HK\$8.9 million and HK\$8.5 million for the year ended 30 June 2020 and 2021, respectively. There was no significant change of the administrative expenses for the year ended 30 June 2021 compared to the corresponding year in 2020.

Impairment loss recognised on plant and equipment, and right-of-use assets

For the year ended 30 June 2021, the Group recorded impairment loss recognised on (i) plant and equipment, and (ii) right-of-use assets of approximately HK\$0.1 million and HK\$0.7 million. Detail of the loss allowances recognised are set out in note 13 and note 14 to the consolidated financial statements in this annual report.

Chairman's Statement & Management Discussion and Analysis

Loss and total comprehensive loss for the year attributable to owners of the Company

Loss and total comprehensive loss for the year ended 30 June 2020 and 2021 amounted to approximately HK\$5.9 million and HK\$7.4 million, respectively. The Group's net loss for the year ended 30 June 2021 was mainly attributable to the impairment loss recognised on plant and equipment, and right-of-use assets for the year ended 30 June 2021 as compared to the corresponding year in 2020 and reversal of temporary difference recognised as deferred tax assets in prior year.

PROSPECT

The Group expects the business environment continues to be challenging and competitive. Given the outbreak of the novel coronavirus pandemic ("**COVID-19**"), the uncertainties in the execution of the construction projects increase the overall operational risks of the Group.

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

Bearing in mind the associated risks and in order to maximise the returns to the Shareholders, the Directors may also consider other investment opportunities to broaden the sources of income of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy financial position during the year ended 30 June 2021. As at 30 June 2021, the Group had bank balances and cash of approximately HK\$49.4 million (2020: approximately HK\$38.0 million) and restricted cash balances of approximately HK\$2.1 million (2020: approximately HK\$5.0 million). The current ratio as at 30 June 2021 was approximately 8.3 times (2020: approximately 8.8 times). The Directors are of the view that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

GEARING RATIO

The gearing ratio is calculated based on the total debts divided by total equity as at the respective reporting date. Total debts represent the leases liabilities. As at 30 June 2021, the Group recorded gearing ratio of approximately 1.2% (2020: approximately 1.0%).

CHARGE OVER THE GROUP'S ASSETS

As at 30 June 2021, the Group pledged its deposits in insurance companies of approximately HK\$2.1 million (2020: approximately HK\$5.0 million) as collateral for performance bonds.

As at 30 June 2021, the Group pledged the leased motor vehicles of approximately HK\$nil (2020: approximately HK\$0.2 million) as collateral to the leases liabilities.

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

Chairman's Statement & Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

For the year ended 30 June 2021, most of the revenue-generating operations were transacted in Hong Kong dollars. There was no significant exposure to foreign exchange rate fluctuations. As such, the Group currently does not have a foreign currency hedging policy.

CAPITAL STRUCTURE

During the year ended 30 June 2021, there has been no change in the capital structure of the Group. The capital structure of the Group comprises of ordinary shares and reserves. The Group mainly finances its operations, working capital, capital expenditures and other liquidity requirements through the funds generated from operations.

TREASURY POLICY

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

COMMITMENTS

As at 30 June 2021, the Group did not have any capital commitment (2020: nil).

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

There was no significant investment held as at 30 June 2021. The Group did not have material acquisition and disposal of subsidiaries and associated companies during the year ended 30 June 2021. There was no plan for material investments or capital assets as at 30 June 2021.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group has given guarantees on performance bonds issued by insurance companies of approximately HK\$2.1 million in respect of construction contracts of the Group (2020: approximately HK\$5.0 million). The Group has contingent liabilities to indemnify the insurance companies for any claims from customers under the guarantee due to the failure of the Group's performance. The performance bonds are expected to be released in accordance with the terms of the respective construction contracts. As at the date of this report, the Directors do not consider it is probable that any claim will be made against the Group.

Save as disclosed above, the Group has no other material contingent liabilities (2020: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed a total of 21 employees (2020: 18 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$8.6 million for the year ended 30 June 2021 (2020: approximately HK\$10.4 million).

The Group remunerates the employees based on their position, qualifications and performance. On top of the basic salaries, bonuses may be paid with reference to the Group's performance as well as employee's performance. Various types of trainings are provided to the employees for the improvement of their standards and skills. The Company maintains a share option scheme for the purpose of providing incentives and rewards to the participants for their contributions to the Group. As at the date of this report, no option has been granted under the share option scheme.

Chairman's Statement & Management Discussion and Analysis

DIVIDENDS AND DIVIDEND POLICY

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

The Directors do not recommend payment of final dividend for the year ended 30 June 2021 (2020: nil).

APPRECIATION

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

WT Group Holdings Limited

Kam Kin Bun

Chairman and Executive Director

Hong Kong, 27 September 2021

Biographical Details of the Directors

EXECUTIVE DIRECTORS

Mr. Kam Kin Bun, aged 64, was appointed as the executive Director since July 2017. He is the project director of the Group primarily responsible for day-to-day management and tendering of the Group.

Mr. Kam has over 38 years of experience in the construction industry in Hong Kong. Mr. Kam was a founder and a director of Wah Tat Foundation & Engineering Limited, a construction company in Hong Kong, from August 1998 to April 2002. Since January 2004, Mr. Kam has been a director of Wai Tat Foundation & Engineering Limited ("**Wai Tat**"), the operating subsidiary of the Group.

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

Mr. Kung Cheung Fai Patrick, aged 69, is one of the founders of the Group. Mr. Kung was appointed as the executive Director since July 2017. Mr. Kung is the technical director of the Group and is responsible for overseeing project design and technical direction of projects of the Group.

Mr. Kung has over 45 years of experience in the construction industry in Hong Kong.

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

Ms. Wong Mei Chun, aged 61, was appointed as the executive Director on 28 July 2021. She has over 25 years of experience in construction and electrical engineering industry. Before joining the Group, Ms. Wong were a senior project director of a sole proprietor in Hong Kong principally engaged in the provision of electrical and mechanical engineering services since 1996. Ms. Wong has extensive experience in project management, production operation and financial management in both Hong Kong and the PRC. Ms. Wong has an established network of relationship with business operators in the construction and engineering industry.

Biographical Details of the Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chan Sin Wa Carrie, aged 42, was appointed as an independent non-executive Director (the “INED”) on 28 July 2021. Ms. Chan has extensive working experience in the accounting and auditing industry. Ms. Chan graduated from Oxford Brookes University in applied accounting and was an audit manager in a medium-sized audit firm. Ms. Chan is an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan was an independent non-executive director of Kirin Group Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8109) from July 2015 to September 2020.

Mr. Leung Chi Hung, aged 65, was appointed as the INED since December 2017.

Mr. Leung has over 45 years of experience in the accounting profession in Hong Kong. Mr. Leung worked as an audit supervisor at Peat Marwick Mitchell & Co., currently known as KPMG, from September 1976 to September 1980. Mr. Leung was an audit manager of Arthur W. C. Mo & Co., an audit firm in Hong Kong, from October 1980 and was responsible for providing auditing services to clients. He was later admitted as a partner from April 1993 to March 2008. Mr. Leung has been the director of Philip Leung & Co. Limited, a company principally engaged in the provision of auditing services previously known as Arthur Mo & Co. Ltd. since January 2006, and is responsible for the overall management of the company.

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

Mr. Leung is currently an independent non-executive director of Evergreen International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 238) since October 2020, Daido Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 544) since September 2003, Zhongzheng International Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 943) since December 2013, REF Holding Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1631) since August 2015, and Finet Group Limited (a company listed on GEM of the Stock Exchange, stock code: 8317) since February 2011.

Mr. Yu Tat Chi Michael, aged 56, was appointed as the INED on 20 September 2021. Mr. Yu holds a bachelor of commerce degree from the University of New South Wales, Australia. He is a fellow member of the CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yu is also a founding member of The Hong Kong Independent Non-Executive Director Association. Mr. Yu has many years of experience in accounting, corporate finance and asset management. He had held senior management positions in several listed companies in Hong Kong.

Mr. Yu is currently an independent non-executive director of each of Golden Resources Development International Limited (a company listed on the Main Board of The Stock Exchange, stock code: 677) since August 2012, Applied Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 519) since September 2016, China Netcom Technology Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8071) since August 2017, Lerado Financial Group Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1225) since February 2018 and Harbour Digital Asset Capital Limited (a company listed on the Main Board of the Stock Exchange, stock code: 913) since August 2020. He was an independent non-executive director of EVOC Intelligent Technology Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2308) from May 2016 to May 2021.

Corporate Governance Report

INTRODUCTION

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Company for the year ended 30 June 2021 (the **"Reporting Period"**).

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

CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties in the Corporate Governance Code (the **"CG Code"**) as set out in Appendix 15 of the GEM Listing Rules. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG code and disclosure in this Corporate Governance Report. Throughout the Reporting Period, to the best knowledge of the Board, except for the following, the Company has complied with all the applicable code provisions set out in the CG Code:

The principle of code provision A.2.1 of the CG Code stipulates that there should be a clear division of the management of the Board and the day-to-day management of the business. The Group has not appointed the chief executive officer. However, the management of the Board and the day-to-day management of the business are primarily performed by Mr. Kam Kin Bun. The Group is of the view that there is a deviation from code provision A.2.1 of the CG Code. In view of the fact that Mr. Kam has been operating and managing Wai Tat, our operating subsidiary, since 2004, the Board believes that it is in the best interest of the Group to have Mr. Kam taking up both roles for effective management and business development.

Therefore, the Directors consider that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance. The Board believes that the balance of power and authority is ensured by the operations of the Board which comprises experienced and competent individuals, with three of them being independent non-executive Directors.

Except for the deviation from code provision A.2.1 of the CG Code and the Company's corporate governance practices have complied with the CG Code during the Reporting Period.

Corporate Governance Report

BOARD OF DIRECTORS

Responsibility

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

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

- (a) to develop and review the Group's policies and practices on corporate governance and make recommendations;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual applicable to the Directors and employees; and
- (e) to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

Composition of the board

The composition of the Board during the Reporting Period and as of the date of this report is set out as follows:

Executive Directors

Mr. Kam Kin Bun (*Chairman*)

Mr. Kung Cheung Fai Patrick

Ms. Wong Mei Chun (appointed on 28 July 2021)

Mr. Yip Shiu Ching (passed away on 24 September 2020)

Independent non-executive Directors

Ms. Chan Sin Wa Carrie (appointed on 28 July 2021)

Mr. Leung Chi Hung

Mr. Yu Tat Chi Michael (appointed on 20 September 2021)

Ms. Wong Lai Na (resigned on 28 July 2021)

Ms. Yen Kwun Wing (resigned on 28 July 2021)

Corporate Governance Report

Biographical details of the Directors are set out in “Biographical Details of the Directors” on pages 7 to 8 of this annual report. There was no financial, business, family or other material relationship among the Directors during the year ended 30 June 2021.

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

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

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

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

Chairman and Chief Executive Officer

The principle of code provision A.2.1 of CG Code stipulates that there should be a clear division of the management of the Board and the day-to-day management of the business. The Group has not appointed the chief executive officer. However, the management of the Board and the day-to-day management of the business are primarily performed by Mr. Kam Kin Bun. The Group is of the view that there is a deviation from code provision A.2.1 of CG Code. In view of the fact that Mr. Kam has been operating and managing Wai Tat, the Group’s operating subsidiary, since 2004, the Board believes that it is in the best interest of the Group to have Mr. Kam taking up both roles for effective management and business development.

Therefore, the Directors consider that the deviation from code provision A.2.1 of CG Code is appropriate in such circumstance. The Board believes that the balance of power and authority is ensured by the operations of the Board which comprises experienced and competent individuals, with three of them being INEDs.

Appointment and Re-election of Directors

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

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

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

Corporate Governance Report

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

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

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

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") in accordance with the requirement as set out in the CG Code, which is summarised as below:

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

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

Directors' Continuous Training and Professional Development

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

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

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

Following trainings have been provided to all the Directors:

- briefing by the external auditors on changes or amendments to accounting standards at the Audit Committee meeting; and
- updates on proposed amendments to the GEM Listing Rules.

Corporate Governance Report

Director's Security Transactions

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

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

Name of Directors	Age Group		
	Age (30–39)	Age (40–59)	Age (60 and above)
Mr. Kung Cheung Fai Patrick			✓
Mr. Kam Kin Bun			✓
Ms. Wong Mei Chun			✓
Ms. Chan Sin Wa Carrie		✓	
Mr. Leung Chi Hung			✓
Mr. Yu Tat Chi Michael		✓	

Name of Directors	Professional experience		
	Business and management	Construction	Accounting and finance
Mr. Kung Cheung Fai Patrick	✓	✓	
Mr. Kam Kin Bun	✓	✓	
Ms. Wong Mei Chun	✓	✓	
Ms. Chan Sin Wa Carrie			✓
Mr. Leung Chi Hung			✓
Mr. Yu Tat Chi Michael			✓

Corporate Governance Report

Board Committees

Audit Committee

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

The main duties and responsibilities of the Audit Committee are as follows:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- reviewing and monitoring on the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards;
- monitoring the integrity of the Company's financial statements and annual report, interim report and quarterly reports, and reviewing significant financial reporting judgments contained in them;
- reviewing the Company's financial controls, risk management and internal control systems and the Group's financial and accounting policies and practices;
- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and
- performing the Company's corporate governance functions.

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

Mr. Leung Chi Hung (*Chairman*)

Ms. Chan Sin Wa Carrie (appointed on 28 July 2021)

Mr. Yu Tat Chi Michael (appointed on 20 September 2021)

Ms. Wong Lai Na (resigned on 28 July 2021)

Ms. Yen Kwun Wing (resigned on 28 July 2021)

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

During the Reporting Period, the Audit Committee held meetings with the Company's senior management and independent auditors to (i) consider the independence and work scope of the independent auditors; (ii) review and discuss the Group's financial reporting; and (iii) review the risk management and internal control systems, the effectiveness of the Company's internal audit and risk control functions, the Group's quarterly, interim and annual financial statements and the opinions and reports of independent auditors, and submit the report to the Board for approval. Details of the attendance of the members of the Audit Committee in the said meeting are set out under the sub-heading "Board Meetings" below.

Corporate Governance Report

Nomination Committee

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

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

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

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

Ms. Chan Sin Wa Carrie (*Chairman*) (appointed on 28 July 2021)

Mr. Kam Kin Bun (appointed on 28 July 2021)

Mr. Leung Chi Hung

Mr. Yu Tat Chi Michael (appointed on 20 September 2021)

Ms. Yen Kwun Wing (*Chairman*) (resigned on 28 July 2021)

Ms. Wong Lai Na (resigned on 28 July 2021)

During the Reporting Period, the Nomination Committee held meetings to (i) review the structure, size, composition and diversity of the Board; (ii) assess the independence of the INEDs; having regard to, among other things, the requirements under the GEM Listing Rules; and (iii) make recommendations to the Board on the appointment or re-appointment of Directors. Details of the attendance of the members of the Nomination Committee in the said meeting are set out under the sub-heading "Board Meetings" below.

Remuneration Committee

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

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

Corporate Governance Report

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

Mr. Chan Sin Wa Carrie (*Chairman*) (appointed on 28 July 2021)

Mr. Kam Kin Bun (appointed on 28 July 2021)

Mr. Leung Chi Hung

Mr. Yu Tat Chi Michael (appointed on 20 September 2021)

Ms. Wong Lai Na (*Chairman*) (resigned on 28 July 2021)

Ms. Yen Kwun Wing (resigned on 28 July 2021)

During the Reporting Period, the Remuneration Committee held meetings to (i) review and recommend to the Board on the Group's remuneration policy and strategy; (ii) review and recommend to the Board on the remuneration packages of the executive Directors and senior management of the Company; and (iii) review and recommend to the Board on the fees of the INEDs. Details of the attendance of the members of the Remuneration Committee in the said meeting are set out under the sub-heading "Board Meetings" below.

Board Meetings

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

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

	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	AGM
Executive Directors					
Mr. Kam Kin Bun	7/7	N/A	N/A	N/A	1/1
Mr. Kung Cheung Fai Patrick	7/7	N/A	N/A	N/A	1/1
Ms. Wong Mei Chun (appointed on 28 July 2021)	N/A	N/A	N/A	N/A	N/A
Mr. Yip Siu Ching (passed away on 24 September 2020)	1/2	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Ms. Chan Sin Wa Carrie (appointed on 28 July 2021)	N/A	N/A	N/A	N/A	N/A
Mr. Leung Chi Hung	7/7	5/5	1/1	1/1	1/1
Mr. Yu Tat Chi Michael (appointed on 20 September 2021)	N/A	N/A	N/A	N/A	N/A
Ms. Wong Lai Na (resigned on 28 July 2021)	7/7	5/5	1/1	1/1	1/1
Ms. Yen Kwun Wing (resigned on 28 July 2021)	7/7	5/5	1/1	1/1	1/1

Corporate Governance Report

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

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

In preparing the consolidated financial statements for the year ended 30 June 2021, the Board has adopted appropriate and consistent accounting policies and made prudent, fair and reasonable judgments and estimates. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

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

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditors' Report on pages 32 to 37 of this annual report.

AUDITOR'S REMUNERATION

During the year ended 30 June 2021, PricewaterhouseCoopers ("PwC") has resigned as auditors of the Company with effect from 9 July 2020 and the Company has appointed HLB Hodgson Impey Cheng Limited ("HLB") as auditors of the Company on the same day to fill the casual vacancy following the resignation of PwC as auditors of the Company. During the year ended 30 June 2021, the Company had incurred the audit services fee of engaging HLB amounted to approximately HK\$0.7 million.

The Audit Committee has expressed its views to the Board that the level of fees paid/payable by the Company to the Company's external auditor for annual audit services is reasonable. There has been no disagreement between the auditor and the management of the Company during the year ended 30 June 2021.

COMPANY SECRETARY

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

The Company has appointed Mr. Lee Wai Chi as its company secretary. Mr. Lee obtained Bachelor's degree in professional accountancy from the Chinese University of Hong Kong and was admitted as a member of the Hong Kong Institute of Certified Public Accountants in January 2013. Mr. Lee confirmed that he has complied with all the required qualification, experience and training requirement of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Kam Kin Bun is the compliance officer of the Company. The biography of Mr. Kam Kin Bun is set out in the section headed "Biographical Details of the Directors" of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

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

Corporate Governance Report

SHAREHOLDERS' RIGHT

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

- (i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website and the Company's website;
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company's website;
- (iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management;
- (v) the Company's branch share registrar and transfer office in Hong Kong serves the shareholders in respect of share registration, dividend payment and related matters.

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

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risks according to their likely impact and the likelihood of occurrence;
- Risk mitigation: Develop effective control activities to mitigate the risks.

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

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

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

Corporate Governance Report

DIVIDEND POLICY

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

- (a) the Company's actual and expected financial performance;
- (b) retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- (c) the Group's working capital and capital expenditure requirements as well as future business and expansion plans;
- (d) the Group's liquidity position;
- (e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company;
- (f) restrictions under the Cayman Islands laws and the Company's memorandum and articles of association; and
- (g) other factors that the Board considers relevant.

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

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

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

INSIDE INFORMATION

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

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there had been no significant change in the Group's constitutional documents.

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company for the year ended 30 June 2021.

PRINCIPAL ACTIVITIES

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

An analysis of the Group's performance for the year ended 30 June 2021 by operating segment is set out in note 6 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

The review of the business of the Group during the year ended 30 June 2021 and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement & Management Discussion and Analysis" on pages 3 to 6 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company recognised its responsibility to protect the environment from its business activities. The Company is committed to the sustainable development of the environment and our society. The Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental practices to ensure our business meet the required standards and ethics in respect of environmental protection.

Further details will be disclosed in the Company's Environmental, Social and Governance Report 2021 to be published within three months from the date of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Sufficient resources have been allocated to ensure the on-going compliance with applicable laws and regulations. During the year ended 30 June 2021, the Board is not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business where the Group is operating.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- (i) the Group's revenue relies on successful tenders or quotations of specialized works and general building works projects which are non-recurring in nature, and there is no guarantee that the customers will provide the Group with new business or that the Group will secure new customers;
- (ii) the Group makes estimation of the project costs in the tenders and quotations and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses;

Report of the Directors

- (iii) the Group relies on subcontractors to perform a portion of the site works and unsatisfactory performance or unavailability of the Group's subcontractors may adversely affect the Group's operations and profitability;
- (iv) the Group is exposed to customers' credit risks and the Group's liquidity position may be adversely affected if the customers fail to make payment on time or in full;
- (v) the Group's performance depends on trends and developments in the construction industry in Hong Kong; and
- (vi) the Group's performance depends on market conditions and the general economic and political conditions in Hong Kong.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 30 June 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38 of this annual report. The Directors do not recommend the payment of a final dividend for the year ended 30 June 2021 (2020: nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 94. This summary does not form part of the audited consolidated financial statements of the Group.

PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the Company's share capital is set out in note 23 to the consolidated financial statements.

CONFIRMATION ON INDEPENDENCE

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

SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

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

(b) Who may join and basis of eligibility

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

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

Report of the Directors

(c) Maximum number of Shares

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue. The 10% limit may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. However, the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

(d) Maximum entitlement of each participant

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

(e) Period of the Share Option Scheme

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

(f) Grant of options and acceptance of offers

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

(g) Time of exercise of option

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

(h) Price of Shares

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

(i) Termination to the Share Option Scheme

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

Report of the Directors

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and there was no share option outstanding as at 30 June 2021. The total number of securities available for issue under the Share Option Scheme was 100,000,000, which represented approximately 10% of the issued share capital of the Company as of the date of this report.

RESERVES

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

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 30 June 2021 are set out in note 26 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that needed to be disclosed under the GEM Listing Rules.

DISTRIBUTABLE RESERVES

As at 30 June 2021, the Company did not have any reserves available for distribution (2020: nil). Details of the movement in reserve during the year are set out in note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer accounted for approximately 59.7% of the Group's total revenue (2020: 39.8%) while the Group's five largest customers in aggregate accounted for approximately 97.4% of the Group's total revenue for the year ended 30 June 2021 (2020: 76.7%).

The Group's largest supplier accounted for approximately 40.9% of the total purchases (2020: 15.7%) while the Group's five largest suppliers accounted for approximately 68.6% of the Group's total purchases for the year ended 30 June 2021 (2020: 52.9%).

None of the Directors of the Company, or any of his close associates or Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers during the year ended 30 June 2021.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS, EMPLOYEES AND SHAREHOLDERS

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

Customers

The Group provides specialised works and general building works to customers from both the public and private sectors in Hong Kong and majority of the Group's revenue was derived from projects for customers in the private sector. The Group emphasizes its ability to deliver work on time to customers. To execute the quality assurance policy of the Group, we have maintained a quality management system which follows the ISO 9001 standards. Quality assurance functions are performed throughout the foundation works process from the construction materials procurement stage to the completion stage to ensure that the foundation works and ancillary services meet the standards required by the customers. In addition, the project management team communicated with the customers on a regular basis during the course of the projects to better understanding their needs and expectations. During the year ended 30 June 2021, the Group maintained good business relationships with the customers, which helped attracting further business and referrals from them.

Report of the Directors

Suppliers and Subcontractors

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

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

During the year ended 30 June 2021, the Group did not have any significant disputes with any of its top five suppliers and subcontractors.

Employees

The Group focuses on the talents of the employees as the most valuable asset. The Group strives to create a good workplace that the employees are motivated to work in. The employees are treated fairly with respect and we reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives. The Group has maintained good relationship with the employees during the year ended 30 June 2021.

Shareholders

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

DIRECTORS

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

Executive Directors

Mr. Kam Kin Bun (*Chairman*)

Mr. Kung Cheung Fai Patrick

Ms. Wong Mei Chun (appointed on 28 July 2021)

Mr. Yip Shiu Ching (*Chairman*) (passed away on 24 September 2020)

Independent non-executive Directors

Ms. Chan Sin Wa Carrie (appointed on 28 July 2021)

Mr. Leung Chi Hung

Mr. Yu Tat Chi Michael (appointed on 20 September 2021)

Ms. Wong Lai Na (resigned on 28 July 2021)

Ms. Yen Kwun Wing (resigned on 28 July 2021)

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

Report of the Directors

Pursuant to the Articles of Association, Mr. Kung Cheung Fai Patrick, Ms. Wong Mei Chun, Ms. Chan Sin Wa Carrie, Mr. Leung Chi Hung and Mr. Yu Tat Chi Michael will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

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

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

Ms. Chan Sin Wa Carrie, Mr. Leung Chi Hung and Mr. Yu Tat Chi Michael have met the independence criteria under the GEM Listing Rules and have given confirmation of their independence to the Company. With due consideration on the above factors, the Board believes that Ms. Chan Sin Wa Carrie, Mr. Leung Chi Hung and Mr. Yu Tat Chi Michael are independent. Based on their diversified background including, but not limited to, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of Directors, the Board believes that Ms. Chan Sin Wa Carrie, Mr. Leung Chi Hung and Mr. Yu Tat Chi Michael can contribute to diversity of the Board and their expertise will enable them to fulfill their roles as the INED effectively, and provide useful and constructive opinion and make contribution to the Board and the development of the Company. Each of Ms. Chan Sin Wa Carrie, Mr. Leung Chi Hung and Mr. Yu Tat Chi Michael holds directorships in not more than seven listed companies (including the Company) and would be able to devote sufficient time and attention to perform the duties required of an INED.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a director. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group during the year ended 30 June 2021.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Group are set out on pages 7 to 8 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in note 8 and note 9 to the consolidated financial statements.

Report of the Directors

The remuneration of the senior management of the Group excluding the INEDs for the year ended 30 June 2021 falls within the following band:

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

EMOLUMENT POLICY

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

Other than the payments to the Mandatory Provident Fund Scheme Ordinance, the Group has not operated any other retirement benefit schemes for its employees. Particulars of the retirement benefit schemes are set out in note 3.2 to the consolidated financial statements.

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

MANAGEMENT CONTRACTS

As at 30 June 2021, the Company did not enter into or have any management and/or administration contracts in respect of the whole or any principal business of the Company.

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

Save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company or an entity associated with a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 30 June 2021.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the year ended 30 June 2021 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its specified undertakings as defined in the Companies (Directors' Report) Regulation or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

DISCLOSURE OF INTERESTS

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

As at 30 June 2021, the interests and short positions of the Directors or chief executives of the Company in the Shares, the underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares

Name of Directors	Capacity	Number of the Shares held/ interested in	Percentage of the issued share capital of the Company
Mr. Kam Kin Bun	Interest in controlled corporation (<i>Note</i>)	576,600,000	57.66%
Mr. Kung Cheung Fai Patrick	Interest in controlled corporation (<i>Note</i>)	576,600,000	57.66%

Note:

Talent Gain Ventures Limited ("**Talent Gain**"), which beneficially owns 57.66% of the issued Shares, is owned as to 34% by Mr. Kung, 33% by Mr. Yip Shiu Ching ("**Mr. Yip**") (deceased), a former director of the Company, and 33% by Mr. Kam. Since Mr. Kung is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Talent Gain, Mr. Kung is deemed to be interested in the Shares in which Talent Gain is interested under the SFO. Further, pursuant to the Concert Party Deed, details of which are set out in the paragraph headed "History and Development — Concert Party Deed" of the Prospectus, Mr. Kam, Mr. Kung and Mr. Yip, are acting in concert with one another and each of them is deemed to exercise or control the exercise of 63.86% of the voting power at general meetings of Talent Gain, and is therefore deemed to be interested in the Shares in which Talent Gain is interested under the SFO.

Save as disclosed above, as at 30 June 2021, none of the Directors nor chief executives of the Company has registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Report of the Directors

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

So far as the Directors are aware, as at 30 June 2021, the following persons (other than the Directors or chief executives of the Company) or corporations had interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(i) Long Position in the Shares

Name of Shareholders	Nature of interest	Number of the Shares held/ interested in	Percentage of the issued share capital of the Company
Talent Gain	Beneficial owner	576,600,000	57.66%
Mrs. Kung Szeto Pauline Sin Fun	Family interest (Note 1)	576,600,000	57.66%
Ms. Chiu Wai King Clara	Family interest (Note 2)	576,600,000	57.66%
Ms. Chan Kit Yee	Family interest (Note 3)	576,600,000	57.66%
China Silver Asset Management Limited	Investment manager	140,140,000	14.01%
CS Asia Opportunities Master Fund	Beneficial owner	140,140,000	14.01%

Notes:

1. Mrs. Kung Szeto Pauline Sin Fun is Mr. Kung Cheung Fai Patrick's spouse and is deemed to be interested in the Shares in which Mr. Kung is interested under the SFO.
2. Ms. Chiu Wai King Clara is Mr. Yip's spouse and is deemed to be interested in the Shares in which Mr. Yip is interested under the SFO.
3. Ms. Chan Kit Yee is Mr. Kam Kin Bun's spouse and is deemed to be interested in the Shares in which Mr. Kam is interested under the SFO.

Save as disclosed above, as at 30 June 2021, there was no person or corporation, other than the Directors and chief executives of the Company, had any interest or a short position in the Shares or underlying Shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Reference is made to the announcements of the Company dated 3 December 2020, 31 December 2020, 29 January 2021 and 8 March 2021. As disclosed in these announcements, to the best knowledge, information and belief of the Directors, the public float of the Company was approximately 23.83% at the relevant times, which was below 25% of the total number of issued Shares and that prescribed by Rule 11.23(7) of the GEM Listing Rules.

The controlling Shareholder of the Company, Talent Gain, on 22 March 2021 disposed of 12,000,000 Shares beneficially held by Talent Gain to an independent third party, representing 1.2% of the total number of issued Shares (the "Disposal"). Immediately after the Disposal, the public float of the Company was approximately 25.03%. As such, the Company has fulfilled the minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules.

Report of the Directors

Saved as disclosed above, based on the information that is publicly available to the Company and to the best knowledge, information and belief of the Directors, the Company has maintained the prescribed minimum public float under the GEM Listing Rules during the year ended 30 June 2021 and at any time up to the date of this report.

CHANGE OF AUDITORS

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

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling Shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete, directly or indirectly, with the business of the Group or any other conflicts of interest which any such person has or may have with the Group during the year ended 30 June 2021 and up to the date of this report.

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

During the year ended 30 June 2021, the Company has received an annual written confirmation from each controlling Shareholders that each controlling Shareholders has complied with its/his undertakings and obligations under the deed of non-competition.

The INEDs have also reviewed and were satisfied that each of the controlling Shareholders had complied with the deed of non-competition for the year ended 30 June 2021.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 30 June 2021.

CORPORATE GOVERNANCE CODE

Details of the principle corporate governance practices as adopted by the Company are set out in the section headed “Corporate Governance Report” on pages 9 to 20 of this annual report.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors during the year ended 30 June 2021.

Report of the Directors

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 30 June 2021 have been audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the forthcoming AGM of the Company to reappoint HLB Hodgson Impey Cheng Limited as auditor of the Company.

On Behalf of the Board

WT Group Holdings Limited
Mr. Kam Kin Bun

Chairman and Executive Director
Hong Kong, 27 September 2021

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 WT Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of WT Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 93, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditors' Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter

How our audit addressed the Key Audit Matter

Measurement of value of construction works

Refer to Notes 3.2, 5(a) and 7 to the consolidated financial statements.

For the year ended 30 June 2021, the Group's revenue recognised for contract works amounted to approximately HK\$33,826,000.

The Group's revenue from construction contracts is recognised over time using the output method, based on direct measurements of the value of works transferred by the Group to the customer as estimated by the management.

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

We focused on this area due to the significance of the revenue to the consolidated financial statements and the significant estimates and judgments involved in the estimation.

Our procedures in relation to the measurement of value of construction works included:

- We understood and evaluated the key controls over the recognition of contract revenue;
- We inspected material construction contracts of the Group for agreed contract sum and variations, if any;
- We assessed the competence, capabilities and objectivity of the architects, surveyors or other representatives appointed by the customers;
- We traced the value of construction works at the year end to the corresponding certificates and tested the revenue recognition for the current year on a sample basis; and
- We assessed management's estimates on the value of uncertified works by inspecting the relevant documents on a sample basis which included certificates, payment applications to customers and other supporting documents that indicate the value of construction works completed up to date.

We found that the judgments and estimates adopted by management in the recognition of revenue were supportable by available evidence.

Independent Auditors' Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter *(Continued)*

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

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

Refer to Notes 3.2, 4.1(b), 5(b), 16 and 17 to the consolidated financial statements.

As at 30 June 2021, gross trade and retention receivables and contract assets amounted to approximately HK\$651,000 and HK\$12,636,000, respectively, which represented approximately 20% of the total assets of the Group, and allowance for expected credit losses of approximately HK\$380,000 and HK\$335,000 were provided against the gross amounts of trade and retention receivables and contract assets, respectively.

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

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

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

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

- We understood and evaluated the key controls in respect of credit procedures performed by management, including the procedures on periodic review on aged receivables and assessment on changes in credit risk of their customers;
- We discussed with management to understand their process of assessing credit risk on their customers. We corroborated management's explanation with supporting evidence, including checking, on a sample basis, the ageing profile of trade and retention receivables and contract assets to the underlying invoices and certificates;
- We understood and evaluated the modelling methodologies used by management for measuring expected credit losses, assessed key parameters and assumptions made by management with reference to the relevant historical credit loss data of the Group and observable external economic data; and
- We assessed management's forward-looking information by comparing the data used by management against publicly available information.

Based on the procedures performed, we found the judgments and estimates adopted by management in determining the allowances for expected credit losses of trade and retention receivables and contract assets were supportable by available evidence.

Independent Auditors' Report

OTHER INFORMATION

The directors of the Company 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.

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditors' Report

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditors' Report

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

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

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

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Shek Lui

Practising Certificate Number: P05895

Hong Kong, 27 September 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	7	33,826	61,215
Cost of Services		(31,702)	(58,817)
Gross profit		2,124	2,398
Other income	7	737	387
Administrative expenses		(8,533)	(8,866)
Finance costs	10	(41)	(24)
Impairment loss recognised on plant and equipment	13	(113)	–
Impairment loss recognised on right-of-use assets	14	(706)	–
Reversal/(allowances) for expected credit losses of financial assets and contract assets	4.1(b)	60	(804)
Loss before income tax	8	(6,472)	(6,909)
Income tax (expenses)/credit	11	(924)	1,035
Loss and total comprehensive loss for the year attributable to owners of the Company		(7,396)	(5,874)
Loss per share (expressed in HK cents per share)			
Basic and diluted	12	(0.7)	(0.6)

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

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Plant and equipment	13	–	300
Right-of-use assets	14	–	664
Deferred income tax assets	25	–	938
Deposits and prepayments	18	68	43
		68	1,945
Current assets			
Trade and retention receivables	16	271	4,771
Contract assets	17	12,301	18,684
Deposits, prepayments and other receivables	18	1,153	2,013
Current income tax recoverable		155	2,589
Restricted cash	19	2,100	5,012
Cash and cash equivalents	19	49,447	37,996
		65,427	71,065
Current liabilities			
Trade and retention payables	20	5,094	5,259
Accruals and other payables	21	2,277	2,280
Leases liabilities	22	528	498
		7,899	8,037
Net current assets		57,528	63,028
Total assets less current liabilities		57,596	64,973

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Lease liabilities	22	151	132
		151	132
Net assets		57,445	64,841
EQUITY			
Share capital	23	10,000	10,000
Share premium		36,855	36,855
Other reserves		10,100	10,100
Retained earnings		490	7,886
Total equity		57,445	64,841

The consolidated financial statements on pages 38 to 93 were approved for issue by the Board of Directors on 27 September 2021 and were signed on its behalf by:

Mr. KUNG Cheung Fai Patrick
Director

Mr. KAM Kin Bun
Director

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000 (Note (i))	Other reserves HK\$'000 (Note (ii))	Retained earnings HK\$'000	Total HK\$'000
As at 1 July 2019	10,000	36,855	10,100	13,760	70,715
Loss and total comprehensive loss for the year	–	–	–	(5,874)	(5,874)
As at 30 June 2020 and 1 July 2020	10,000	36,855	10,100	7,886	64,841
Loss and total comprehensive loss for the year	–	–	–	(7,396)	(7,396)
As at 30 June 2021	10,000	36,855	10,100	490	57,445

Notes:

- (i) As at 30 June 2020 and 2021, the share premium represents the difference between the par value of issued shares of the Company and the considerations received from the shareholders.
- (ii) Other reserves of the Group represented the difference between the share capital of the subsidiaries acquired pursuant to the reorganisation over nominal value of the share capital of the Company issued in exchange thereof.

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities		
Loss before income tax	(6,472)	(6,909)
Adjustments for:		
Interest income	–	(108)
Finance cost	41	24
Depreciation of plant and equipment	100	231
Depreciation of right-of-use assets	670	619
Loss on disposal of plant and equipment	25	23
Trade and retention receivables written off	–	195
Impairment loss recognised on plant and equipment	113	–
Impairment loss recognised on right-of-use assets	706	–
(Reversal)/allowances for expected credit losses of financial assets and contract assets	(60)	804
Remeasurement of lease liabilities	(13)	–
	(4,890)	(5,121)
Changes in working capital:		
Trade and retention receivables	4,617	15,969
Contract assets	6,319	400
Deposits, prepayments and other receivables	842	1,966
Restricted cash	2,912	(330)
Trade and retention payables	(165)	(1,450)
Accruals and other payables	(3)	(2,495)
Cash generated from operations	9,632	8,939
Income tax refund, net	2,448	–
Net cash generated from operating activities	12,080	8,939
Cash flows from investing activities		
Purchases of plant and equipment	(33)	(149)
Proceeds on disposal of plant and equipment	95	7
Interest received	–	108
Net cash generated from/(used in) investing activities	62	(34)
Cash flows from financing activities		
Repayments of lease liabilities	(650)	(611)
Interest paid	(41)	(24)
Net cash used in financing activities	(691)	(635)
Increase in cash and cash equivalents	11,451	8,270
Cash and cash equivalents at the beginning of the year	37,996	29,726
Cash and cash equivalents at the end of the year	49,447	37,996

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

1 GENERAL INFORMATION

WT Group Holdings Limited ("the Company") was incorporated in the Cayman Islands on 11 July 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands.

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Flat A, 6/F, Evernew Commercial Centre, 33 Pine Street, Tai Kok Tsui, Kowloon, Hong Kong. Before 21 July 2021, the Company's immediate and ultimate holding company is Talent Gain Ventures Limited ("Talent Gain"), a company incorporated in the British Virgin Islands ("BVI"), and Talent Gain does not hold any shares of the Company after 21 July 2021. The details are set out in Note 32.

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

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

These consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousands (HK\$'000), unless otherwise stated.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 July 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19 Related Rent Concessions

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

New and amendments to HKFRSs in issue but not effective

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

HKFRS17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related amendments to Hong Kong Interpretation 5(2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ⁵

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

⁵ Effective for annual periods beginning on or after 1 April 2021.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

3 BASIS OF PREPARATION OF CONSOLIDATE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

Separate financial statements

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

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

Segment reporting

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are 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.

Plant and equipment

Plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Depreciation of plant and equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives, as follows:

Furniture and equipment	20%
Motor vehicles	20%

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

Leases

Definition of a lease

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, 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.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Impairment of non-financial assets

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

Financial instruments

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is held for trading if:

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

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

Amortised cost and effective interest method

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

Impairment of financial assets and contract assets under ECL model

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

The Group always recognises lifetime ECL for trade and retention receivables and contract assets.

For all other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case 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.

Significant increase in credit risk

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group also considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

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

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

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

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

Derecognition of financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Classification of financial liabilities or equity instruments

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

Equity instruments

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

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

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

Derecognition of financial liabilities

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

Offsetting a financial asset and financial liabilities

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

Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Taxation

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

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

Employee benefits

(a) Pension obligations

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

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

(b) Bonus plans

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Employee benefits *(Continued)*

(c) *Employee leave entitlements*

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

(d) *Short-term employee benefits*

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

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

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).

Government grants

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Revenue recognition

(a) Recognition

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

Variable consideration

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

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

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

Warranty

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Revenue recognition *(Continued)*

(a) Recognition *(Continued)*

Existence of significant financing component

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

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

(b) Costs to fulfil a contract

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

- (i) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (iii) the costs are expected to be recovered.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Revenue recognition *(Continued)*

(c) Contract assets and contract liabilities

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

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

Contingent liabilities

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

Related parties

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

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

3.2 Significant accounting policies *(Continued)*

Related parties *(Continued)*

- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group (if the Group is itself such a plan) and the sponsoring employers are also related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

4 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

4.1 Financial risk factors

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

(a) Cash flow and fair value interest rate risk

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

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

(b) Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade and retention receivables and contract assets

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually and/or collectively. Except for trade and retention receivables that are credit-impaired, which are assessed for impairment individually, the remaining trade and retention receivables and contract assets are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. Details of the quantitative disclosures are set out below in this note.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

4 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk and impairment assessment (Continued)

Restricted cash and cash and cash equivalent

The credit risks on restricted deposits and bank balances are limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Deposits and other receivables

For deposits and other receivables, the management of the Group makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of the majority of these amounts since initial recognition and the Group provided impairment based on 12m ECL. Loss allowance of HK\$29,000 (2020: HK\$36,000) was provided against the gross amount of deposits and other receivables.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and retention receivables/ Contract assets	Deposit and 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	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL — not credit-impaired	12m 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 2021

4 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk and impairment assessment (Continued)

The following table details the credit risk exposures of the Group's financial assets and contract assets which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amounts	
				HK\$'000	HK\$'000
2021					
Trade and retention receivables	16	Note	Lifetime ECL (not credit-impaired)	278	
			Credit-impaired	373	651
Contract assets	17	Note	Lifetime ECL		12,636
Deposits and other receivables	18	Low risk	12m ECL		1,130
Restricted cash and cash and cash equivalents	19	Low risk	12m ECL		51,547
2020					
Trade and retention receivables	16	Note	Lifetime ECL (not credit-impaired)	3,768	
			Credit-impaired	1,500	5,268
Contract assets	17	Note	Lifetime ECL		18,955
Deposits and other receivables	18	Low risk	12m ECL		1,519
Restricted cash and cash and cash equivalents	19	Low risk	12m ECL		43,008

Note: For trade and retention receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade and retention receivables and contract assets with credit-impaired, the Group determines the ECL on a collective basis, grouped by internal credit rating.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

4 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk and impairment assessment (Continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade and retention receivables and contract assets which are assessed on a collective basis within lifetime ECL (not credit-impaired). Trade and retention receivables which is credit-impaired with gross carrying amounts of HK\$373,000 (2020: HK\$1,500,000) as at 30 June 2021 were assessed individually with allowance of expected credit loss fully provided (2020: At average loss rate of 28.73%).

Internal credit rating	2021			Average loss rate	2020	
	Average loss rate	Trade and retention receivable HK\$'000	Contract assets HK\$'000		Trade and retention receivable HK\$'000	Contract assets HK\$'000
Low risk	2.65%	278	12,636	1.58	2,786	18,955
Doubtful		–	–	2.29	982	–
		278	12,636		3,768	18,955

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade and retention receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade and retention receivables are a reasonable approximation of the loss rates for contract assets.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

4 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk and impairment assessment (Continued)

Other financial assets at amortised cost

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

	Trade and retention receivables		Contract assets		Deposit and other receivables	Total
	Lifetime ECL (non-credit impaired)	Lifetime ECL (credit impaired)	Lifetime ECL (non-credit impaired)	Lifetime ECL (credit impaired)	12-m ECL	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 July 2019	–	2,289	–	270	–	2,559
Allowances for expected credit losses during the year, net	66	431	271	–	36	804
Write off as bad debts	–	(2,289)	–	(270)	–	(2,559)
As at 30 June 2020 and 1 July 2020	66	431	271	–	36	804
(Reversal)/allowance for expected credit losses during the year, net	(59)	(58)	64	–	(7)	(60)
As at 30 June 2021	7	373	335	–	29	744

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

4 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Undiscounted cash flow					Carrying amount HK\$'000
	Weighted average effective interest rate % per annum	On demand or within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000	
As at 30 June 2021						
— Lease liabilities	5.8	553	154	—	707	679
— Accruals and other payables	—	2,277	—	—	2,277	2,277
— Trade and retention payables	—	5,094	—	—	5,094	5,094
		7,924	154	—	8,078	8,050
As at 30 June 2020						
— Lease liabilities	3.1	509	133	—	642	630
— Accruals and other payables	—	1,814	—	—	1,814	1,814
— Trade and retention payables	—	5,259	—	—	5,259	5,259
		7,582	133	—	7,715	7,703

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

4 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Continued)

4.2 Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-asset ratio, the ratio is calculated as total debts divided by total assets. As at 30 June 2021 and 2020, total debts represent lease liabilities.

	2021 HK\$'000	2020 HK\$'000
Total debts	679	630
Total assets	65,495	73,010
Debt-to-asset ratio	1%	0.9%

4.3 Fair value estimation

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Measurement of value of construction works

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

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

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

The allowances for expected credit losses of trade and retention receivables and contract assets are based on assumptions about risk of default, expected loss rates and forward-looking information. The Group uses judgments in making these assumptions and selecting the inputs to the calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 4.1(b).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

6 SEGMENT INFORMATION

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

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

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

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

The Group is domiciled in Hong Kong and revenue are all derived from external customers in Hong Kong for the years ended 30 June 2021 and 2020. During the year ended 30 June 2021, revenue from 2 (2020: 3) customers individually contributed over 10% of the Group's revenue. The revenue from each of these customers during the year are summarised below:

	2021 HK\$'000	2020 HK\$'000
Customer A	N/A*	24,343
Customer B	N/A*	7,207
Customer C	N/A*	7,110
Customer D	20,181	N/A*
Customer E	8,651	N/A*

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

7 REVENUE AND OTHER INCOME

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

	2021 HK\$'000	2020 HK\$'000
Revenue:		
Contract revenue (Note (a))	33,826	61,215
Other income:		
Interest income	—	108
Government grants (Note (b))	672	184
Sundry income	65	95
	737	387

Notes:

- (a) Contract revenue are recognised over time during the years ended 30 June 2021 and 2020.
- (b) During the current year, the Group recognised government grants of HK\$672,000 in respect of Covid-19-related subsidies, which relates to Employment Support Scheme provided by the Hong Kong Government respectively.

8 LOSS BEFORE INCOME TAX

Loss before income tax is arrived after charging:

	2021 HK\$'000	2020 HK\$'000
Construction costs recognised in cost of services (Note a)	31,702	58,817
Employee benefits expenses, including directors' emoluments (Note b)	8,579	10,369
Depreciation of plant and equipment (Note 13)	100	231
Depreciation of right-of-use assets (Note 14)	670	619
Auditors' remuneration — Audit service		
— HLB Hodgson Impey Cheng Limited	660	660
— Other auditor	—	73
Short-term lease expenses	—	136
Loss on disposal of equipment	25	23
Trade and retention receivables written off	—	195

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

8 LOSS BEFORE INCOME TAX (Continued)

Notes:

- (a) Construction costs included costs of construction materials, staff costs, subcontracting charges, insurance and transportation.
- (b) Employee benefits expenses, including directors' emoluments

	2021 HK\$'000	2020 HK\$'000
Wages, salaries, bonuses and other benefits	8,355	10,115
Pension costs — defined contribution plans	224	254
Amount included in construction costs	8,579 (4,877)	10,369 (5,567)
Amount included in administrative expenses	3,702	4,802

- (c) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 2 directors for the year (2020: 3), whose remuneration are reflected in the analysis presented in Note 9 below.

The remuneration paid to the remaining 3 (2020: 2) individuals are as follows:

	2021 HK\$'000	2020 HK\$'000
Wages, salaries and other benefits	1,619	1,606
Bonuses	88	134
Pension costs — defined contribution plans	45	36
	1,752	1,776

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

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any for the five highest paid individuals during the years ended 30 June 2020 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

9 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

For the year ended 30 June 2021:

	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind (Note (d)) HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Executive directors:						
Mr. Kung Cheung Fai Patrick	–	1,244	129	–	18	1,391
Mr. Yip Shiu Ching (Note (h))	–	296	–	–	5	301
Mr. Kam Kin Bun (Chairman) (Note (g))	–	999	104	301	18	1,422
Ms. Wong Mei Chun (Note (f))	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Leung Chi Hung	180	–	–	–	–	180
Ms. Wong Lai Na (Note (e))	180	–	–	–	–	180
Ms. Yen Kwun Wing (Note (c))	180	–	–	–	–	180
Ms. Chan Sin Wa Carrie (Note (j))	–	–	–	–	–	–
Mr. Yu Tat Chi Michael (Note (i))	–	–	–	–	–	–
	540	2,539	233	301	41	3,654

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For the year ended 30 June 2021

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

For the year ended 30 June 2020:

	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind (Note (d)) HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Executive directors:						
Mr. Kung Cheung Fai Patrick	–	1,184	99	–	18	1,301
Mr. Yip Shiu Ching (Chairman) (Note (h))	–	1,184	99	–	18	1,301
Mr. Kam Kin Bun (Note (g))	–	872	99	312	18	1,301
Ms. Du Juan (Note (a))	–	100	–	–	5	105
Independent non-executive directors:						
Mr. Leung Chi Hung	180	–	–	–	–	180
Ms. Hung Siu Woon Pauline (Note (b))	60	–	–	–	–	60
Ms. Wong Lai Na (Note (e))	180	–	–	–	–	180
Ms. Yen Kwun Wing (Note (c))	95	–	–	–	–	95
	515	3,340	297	312	59	4,523

Notes:

- (a) Ms. Du Juan was appointed as the Company's executive director on 4 December 2018 and resigned on 30 August 2019.
- (b) Ms. Hung Siu Woon Pauline, an independent non-executive director, has passed away on 19 October 2019.
- (c) Ms. Yen Kwun Wing was appointed as the Company's independent non-executive director on 20 December 2019 and resigned on 28 July 2021.
- (d) The allowances and benefits in kind represent the operating lease charge paid for a director's quarter.
- (e) Ms. Wong Lai Na resigned as the Company's independent non-executive director on 28 July 2021.
- (f) Ms. Wong Mei Chun was appointed as the Company's executive director on 28 July 2021.
- (g) Mr. Kam Kin Bun was appointed as the chairman on 2 November 2020.
- (h) Mr. Yip Shiu Ching, an executive director and chairman, has passed away on 24 September 2020.
- (i) Mr. Yu Tat Chi Michael was appointed as the Company's independent non-executive director on 20 September 2021.
- (j) Ms. Chan Sin Wa, Carrie was appointed as independent non-executive director.

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

During the years ended 30 June 2021 and 2020, no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office. There was no director of the Company agreed to waive or waived any emoluments during the years ended 30 June 2021 and 2020.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

10 FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	41	24

11 INCOME TAX (EXPENSES)/CREDIT

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

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No Hong Kong profits tax has been provided as the Group did not have assessable profit for the year ended 30 June 2021 and 2020.

No overseas profits tax has been calculated for entities of the Group that are incorporated in the BVI or the Cayman Islands as they are exempted from tax for the years ended 30 June 2021 and 2020.

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

	2021 HK\$'000	2020 HK\$'000
Current income tax		
— Hong Kong profits tax	—	—
— Under provision in prior year	14	—
Deferred income tax (Note 25)	(938)	1,035
Income tax (expenses)/credit	(924)	1,035

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

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

	2021 HK\$'000	2020 HK\$'000
Loss before income tax	(6,472)	(6,909)
Tax calculated at a tax rate of 16.5% (2020: 16.5%)	1,068	1,140
Expenses not deductible for tax purposes	(273)	(153)
Income not subject to tax	124	48
Tax losses not recognised	(919)	–
Under provision in previous year	14	–
Reversal of temporary difference recognised as deferred tax assets in prior year	(938)	–
Income tax (expenses)/credit	(924)	1,035

12 LOSS PER SHARE

(a) Basic

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

	2021	2020
Loss attributable to owners of the Company (in HK\$'000)	(7,396)	(5,874)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (in thousand)	1,000,000	1,000,000
Loss per share (HK cents per share)	(0.7)	(0.6)

(b) Diluted

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

13 PLANT AND EQUIPMENT

	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost			
As at 1 July 2019	592	1,064	1,656
Additions	46	103	149
Disposals	(101)	–	(101)
As at 30 June 2020 and 1 July 2020	537	1,167	1,704
Additions	33	–	33
Disposals	(72)	(593)	(665)
As at 30 June 2021	498	574	1,072
Accumulated depreciation and impairment			
As at 1 July 2019	(278)	(966)	(1,244)
Charge for the year	(126)	(105)	(231)
Disposals	71	–	71
As at 30 June 2020 and 1 July 2020	(333)	(1,071)	(1,404)
Charge for the year	(87)	(13)	(100)
Disposals	35	510	545
Impairment losses	(113)	–	(113)
As at 30 June 2021	(498)	(574)	(1,072)
Net carrying values			
As at 30 June 2021	–	–	–
As at 30 June 2020	204	96	300

For the impairment assessment, the recoverable amount of the relevant cash generated units ("CGU") in which the plant and equipment and right-of-use assets are included is determined based on the value in use calculated by the directors of the Company with reference to a valuation carried out by an independent professional valuer.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

13 PLANT AND EQUIPMENT *(Continued)*

The income approach is applied in the calculation in value in use of the CGU. The calculation of value in use used discounted cash flow forecast based on financial budget covering a period of 5 years, which was prepared by using the most recent financial results with projections approved by management at pre-tax discount rate of 12%. Cash flows beyond the five year period have been extrapolated using an estimated constant growth rate of 2.4% which does not exceed the average growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of future cash inflows/outflows which include estimated remaining contract value and gross margin, such estimation is based on the CGU's historical performance, management's strategic plans and expectations for the market development.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU based on the value in use of the CGU is lower than the carrying amount. The impairment amount has been allocated to each category of plant and equipment and right-of-use assets such that the carrying amount of each category of plant and equipment and right-of-use assets is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment of HK\$113,000 and HK\$706,000 were recognised against the carrying amount of plant and equipment and right-of-use assets attributable to the CGU for the year ended 30 June 2021 respectively.

14 RIGHT-OF-USE ASSETS

	Leased premises HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
As at 1 July 2019	662	376	1,038
Additions during the year <i>(Note)</i>	245	–	245
Depreciation provided during the year	(465)	(154)	(619)
As at 30 June 2020 and 1 July 2021	442	222	664
Additions during the year	783	–	783
Remeasurement of lease liabilities	(71)	–	(71)
Depreciation provided during the year	(516)	(154)	(670)
Impairment losses	(638)	(68)	(706)
As at 30 June 2021	–	–	–

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

14 RIGHT-OF-USE ASSETS *(Continued)*

As at 30 June 2021, the right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements of Nil (2020: HK\$442,000) and motor vehicles under finance lease of Nil (2020: HK\$222,000) respectively, which are stated at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor.

Details of the impairment assessment as set out in note 13.

15 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial instruments include the following:

	2021 HK\$'000	2020 HK\$'000
Financial assets at amortised cost:		
Trade and retention receivables	271	4,771
Deposits and other receivables	1,101	1,483
Restricted cash	2,100	5,012
Cash and cash equivalents	49,447	37,996
	52,919	49,262
Financial liabilities at amortised cost:		
Trade and retention payables	5,094	5,259
Accruals and other payables	2,277	1,814
Lease liabilities	679	630
	8,050	7,703

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

16 TRADE AND RETENTION RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	521	3,741
Retention receivables	130	1,527
Trade and retention receivables	651	5,268
Less: Allowance for expected credit losses (Note 4.1(b))	(380)	(497)
Trade and retention receivables, net	271	4,771

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

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

	2021 HK\$'000	2020 HK\$'000
Within 30 days	192	2,241
Over 1 year	329	1,500
	521	3,741

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

	2021 HK\$'000	2020 HK\$'000
Within 1 year	130	545
Over 1 year	–	982
	130	1,527

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

17 CONTRACT ASSETS

	2021 HK\$'000	2020 HK\$'000
Contract assets relating to:		
Uncertified work-in-progress	4,450	11,008
Retention receivables	8,186	7,947
	12,636	18,955
Less: Allowance for expected credit losses (Note 4.1(b))	(335)	(271)
Contract assets, net	12,301	18,684

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

In the consolidated statement of financial position, contract assets relating to retention receivable were classified as current assets based on operating cycle. The amount of contract assets that is expected to be recovered after more than one year is HK\$2,469,000 (2020: HK\$6,950,000), all of which relates to retentions.

Notes to the Consolidated Financial Statements

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17 CONTRACT ASSETS (Continued)

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

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

	2021 HK\$'000	2020 HK\$'000
Aggregate amount of the transaction price allocated to long-term construction contracts that are unsatisfied	18,629	32,550

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Deposits and other receivables	1,130	1,519
Prepayments	120	573
	1,250	2,092
Less: Allowance for expected credit losses (Note 4.1(b))	(29)	(36)
Deposits, prepayments and other receivables, net	1,221	2,056
Less: Non-current portion — Deposits and prepayments	(68)	(43)
	1,153	2,013

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

19 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	2021 HK\$'000	2020 HK\$'000
Restricted cash	2,100	5,012

As at 30 June 2021, restricted cash represented deposits of HK\$2,100,000 (2020: HK\$5,012,000) placed in insurance companies as collateral for performance bonds. Restricted cash is interest-free.

	2021 HK\$'000	2020 HK\$'000
Cash and cash equivalents	49,447	37,996

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

20 TRADE AND RETENTION PAYABLES

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

	2021 HK\$'000	2020 HK\$'000
Trade payables	2,881	2,604
Retention payables	2,213	2,655
	5,094	5,259

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

	2021 HK\$'000	2020 HK\$'000
Up to 30 days	2,881	2,604

Notes to the Consolidated Financial Statements

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20 TRADE AND RETENTION PAYABLES *(Continued)*

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

	2021 HK\$'000	2020 HK\$'000
Within 1 year	869	1,578
Over 1 year	1,344	1,077
	2,213	2,655

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

21 ACCRUALS AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Accruals for legal and professional fees	1,016	766
Other accruals and other payables	1,261	1,514
	2,277	2,280

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

Notes to the Consolidated Financial Statements

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22 LEASE LIABILITIES

The total future minimum lease payment of lease arrangements and their present values as at 30 June 2021 and 2020 are as follows:

	At 30 June 2021		At 30 June 2020	
	Minimum lease payment HK\$'000	Present value of minimum lease payment HK\$'000	Minimum lease payment HK\$'000	Present value of minimum lease payment HK\$'000
No later than 1 year	553	528	509	498
Later than 1 year and no later than 5 years	154	151	133	132
Total future minimum lease payment	707	679	642	630
Less: total future interest expenses	(28)		(12)	
Present value of lease liabilities	679		630	
Less: Amount due from settlement no later than one year		(528)		(498)
Amount due from settlement after one year		151		132
Analysed by:				
Leased premises		651		446
Motor vehicle		28		184
		679		630

Note: Lease liabilities included leased premises and hire purchase of motor vehicles. The effective interest rates of the lease liabilities are between 2.50% and 7.03% per annum (2020: 2.53% and 4.74%).

Notes to the Consolidated Financial Statements

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23 SHARE CAPITAL

	Number of shares (in thousand)	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021	5,000,000	50,000
Issued and fully paid:		
As at 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021	1,000,000	10,000

24 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 30 June 2021 (2020: Nil).

25 DEFERRED INCOME TAX

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

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

	HK\$'000
At 1 July 2019	(97)
Credited to the consolidation statement of profit or loss and other comprehensive income	1,035
As at 30 June 2020 and 1 July 2020	938
Charged to the consolidation statement of profit or loss and other comprehensive income	(938)
As at 30 June 2021	—

Notes to the Consolidated Financial Statements

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25 DEFERRED INCOME TAX (Continued)

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

Deferred income tax assets

	Tax losses HK\$'000
As at 1 July 2019	–
Credited to the consolidated statement of profit or loss and other comprehensive income	998
As at 30 June 2020 and 1 July 2020	998
Charged to the consolidated statement of profit or loss and other comprehensive income	(998)
As at 30 June 2021	–

Deferred income tax liabilities

	Accelerated depreciation allowance HK\$'000
As at 1 July 2019	(97)
Credited to the consolidated statement of profit or loss and other comprehensive income	37
As at 30 June 2020 and 1 July 2020	(60)
Credited to the consolidated statement of profit or loss and other comprehensive income	60
As at 30 June 2021	–

At the end of the reporting period, the Group has unused tax losses of approximately HK\$11,255,000 (2020: HK\$5,685,000) available for offset against future profits in 2020. At 30 June 2020, a deferred tax asset has been recognised in respect of HK\$938,000 of such losses. At 30 June 2021, no deferred tax asset has been recognised in respect of the remaining tax loss of approximately HK\$11,255,000 (2020: HK\$4,747,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

26 RELATED PARTIES TRANSACTIONS

Key management compensation

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

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

	2021 HK\$'000	2020 HK\$'000
Salaries, bonuses, other allowances and benefits in kind	4,245	5,375
Retirement benefit costs — defined contribution plans	54	76
	4,299	5,451

27 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities HK\$'000
At 1 July 2019	996
Financing cash flow	(611)
Non-cash movements:	
New lease entered	245
At 30 June 2020 and 1 July 2020	630
Financing cash flows	(650)
Non-cash movements:	
New lease entered	783
Remeasurement of lease liabilities	(84)
At 30 June 2021	679

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For the year ended 30 June 2021

28 PRINCIPAL SUBSIDIARIES

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

Name of entity	Place of incorporation	Kind of legal entity	Principal activities	Issued and paid up capital	Ownership interest held by the Group	
					2021 %	2020 %
Directly held						
Vision Perfect Ventures Limited	BVI	Limited liability company	Investment holding	US\$1,000	100	100
Healthy Luck Holdings Limited	BVI	Limited liability company	Investment holding	US\$100	100	100
Indirectly held						
Wai Tat Foundation & Engineering Limited	Hong Kong	Limited liability company	Engaged in business of foundation works, site formation works, superstructure works, demolition works and ground investigation held works in Hong Kong	HK\$100,000	100	100
Million Sea Development Limited	Hong Kong	Limited liability company	Dormant	HK\$100	100	100

29 NON-CASH TRANSACTION

During the year, the Group entered into new lease agreement for the use of leased premise for fixed terms of 2 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately HK\$783,000 (2020: HK\$245,000).

30 CONTINGENT LIABILITIES

As at 30 June 2021, the Group has given guarantees on performance bonds issued by insurance companies of HK\$2,100,000 (2020: HK\$5,012,000) in respect of 2 (2020: 4) construction contracts of the Group in its ordinary course of business. These performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

Notes to the Consolidated Financial Statements

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31 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of financial position of the Company

	2021 HK\$'000	2020 HK\$'000
Non-current asset		
Investments in subsidiaries	–	19,832
Current assets		
Prepayments	120	120
Amount due from a subsidiary	31,438	31,608
Cash and cash equivalents	129	110
	31,687	31,838
Current liabilities		
Accrual	660	660
Amount due to a subsidiary	1	1
	661	661
Net current assets	31,026	31,177
Total assets less current liabilities	31,026	51,009
Equity		
Share capital	10,000	10,000
Share premium	56,686	56,686
Accumulated losses	(35,660)	(15,677)
Total equity	31,026	51,009

The statement of financial position of the Company was approved by the Board of Directors on 27 September 2021 and was signed on its behalf by:

Mr. KUNG Cheung Fai Patrick
Director

Mr. KAM Kin Bun
Director

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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

(b) Reserve movement of the Company

	Share premium HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
As at 1 July 2019	56,686	(15,527)	41,159
Loss for the year	—	(150)	(150)
As at 30 June 2020 and 1 July 2020	56,686	(15,677)	41,009
Loss for the year	—	(19,983)	(19,983)
As at 30 June 2021	56,686	(35,660)	21,026

32 EVENTS AFTER THE REPORTING PERIOD

Talent Gain Ventures Limited ("Talent Gain"), a controlling shareholder of the Company, that on 21 July 2021, it had voluntarily disposed (the "Disposal") of 576,600,000 shares of the Company (the "Sale Share(s)") on open market, representing approximately 57.66% of the total issued shares of the Company, at the average consideration of approximately HK\$0.242 per Sale Share through on-market transactions on the trading platform of the Stock Exchange. Talent Gain has informed the Company that, to its best knowledge, the purchaser(s) of the Sale Shares are third parties independent of and not connected with the Company (as defined in the Listing Rules). Talent Gain is owned by 34% by Mr. Kung Cheung Fai Patrick (being an executive director of the Company), 33% by Mr. Yip Shiu Ching (deceased) and 33% by Mr. Kam Kin Bun (being an executive director of the Company). Talent Gain does not hold any shares of the Company immediately after the Disposal.

33 AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements was approved and authorised for issued by the Board of Directors on 27 September 2021.

Financial Summary

RESULTS

	2021 HK\$'000	For the year ended 30 June			
		2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	33,826	61,215	82,775	44,995	75,370
Cost of sales	(31,702)	(58,817)	(65,510)	(37,174)	(52,625)
Gross profit	2,124	2,398	17,265	7,821	22,745
(Loss)/profit for the year	(7,396)	(5,874)	6,436	(9,563)	9,467

ASSETS AND LIABILITIES

	2021 HK\$'000	As at 30 June			
		2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Non-current assets	68	1,945	991	1,189	1,745
Current assets	65,427	71,065	81,639	77,706	54,487
Non-current liabilities	151	132	281	400	576
Current liabilities	7,899	8,037	11,634	9,293	20,746
Net current assets	57,528	63,028	70,005	68,413	33,741
Net Assets	57,445	64,841	70,715	69,202	34,910

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

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