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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 2023

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 2023. This announcement, containing the full text of the 2022/23 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 2022/23 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 www.hkgem.com and the Company’s website at www.hklistco.com/8422.

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

Hong Kong, 29 September 2023

As at the date of this announcement, the Board comprises Mr. Kam Kin Bun (Chairman) and Ms. Wong Mei Chun as executive Directors; Ms. Chan Sin Wa Carrie, Ms. Yip Tan 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 Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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.hklistco.com/8422.

This announcement is prepared in English language and translated into Chinese. In the event of any inconsistency between the Chinese and English versions, the English version 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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*)

Ms. Wong Mei Chun

Independent Non-executive Directors:

Ms. Chan Sin Wa Carrie

Ms. Yip Tan (appointed on 30 August 2022)

Mr. Yu Tat Chi Michael

AUDIT COMMITTEE

Mr. Yu Tat Chi Michael (*Chairman*)

Ms. Chan Sin Wa Carrie

Ms. Yip Tan (appointed on 30 August 2022)

NOMINATION COMMITTEE

Ms. Chan Sin Wa Carrie (*Chairman*)

Mr. Kam Kin Bun

Ms. Yip Tan (appointed on 30 August 2022)

Mr. Yu Tat Chi Michael

REMUNERATION COMMITTEE

Ms. Chan Sin Wa Carrie (*Chairman*)

Mr. Kam Kin Bun

Ms. Yip Tan (appointed on 30 August 2022)

Mr. Yu Tat Chi Michael

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

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Chiyu Banking Corporation Limited

AUDITORS

McMillan Woods (Hong Kong) CPA Limited

Certified Public Accountants

STOCK CODE

8422

COMPANY'S WEBSITE

<http://www.hklistco.com.com/8422>

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 2023.

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 including foundation and site formation works, demolition works and ground investigation field works. The Group also undertakes general building works including superstructure building works, slope maintenance works, hoarding works, alteration and addition works, other miscellaneous renovation and construction works.

Revenue of the Group decreased from approximately HK\$65.3 million for the year ended 30 June 2022 to approximately HK\$37.4 million for the year ended 30 June 2023. Gross profit of the Group changed from approximately HK\$8.2 million for the year ended 30 June 2022 to a gross loss of approximately HK\$3.1 million for the year ended 30 June 2023. Loss and total comprehensive loss for the year ended 30 June 2022 and 2023 amounted to approximately HK\$8.9 million and HK\$23.2 million, respectively. The net loss for the year ended 30 June 2023 was mainly attributable to the gross loss and allowance for expected credit losses of trade and other receivables and contract assets.

The Group secures its projects either through tenders by invitation or quotations which are non-recurring in nature. From May 2023 and up to the date of this report, the Group were awarded three construction projects with aggregate awarded contract sum of approximately HK\$123 million.

FINANCIAL REVIEW

Revenue

For the years ended 30 June 2022 and 2023, the Group generated total revenue of approximately HK\$65.3 million and HK\$37.4 million, respectively. The decrease in revenue was mainly attributable to the decrease in the number of construction projects with large contract value and renovation projects undertaken by the Group for the year ended 30 June 2023 compared to the corresponding year in 2022.

Gross (loss)/profit and gross (loss)/profit margin

For the years ended 30 June 2022 and 2023, the Group recorded gross profit of approximately HK\$8.2 million and gross loss of approximately HK\$3.1 million, respectively and the gross profit/ (loss) margin of the Group was approximately 12.6% and 8.3% for the respective years. It was primarily attributable to the decline in the overall gross profit margin of the projects undertook by the Group for the year ended 30 June 2023 compared to the corresponding year in 2022.

Administrative expenses

The Group's administrative expenses mainly consist of employee benefits expenses of approximately HK\$4.7 million (2022: HK\$7.6 million) (including Directors' emoluments), audit fees and other professional fees, and written-off of trade receivables of approximately HK\$4.1 million. Our administrative expenses amounted to approximately HK\$12.8 million and HK\$11.3 million for the year ended 30 June 2022 and 2023, respectively. The decrease in the administrative expenses for the year ended 30 June 2023 compared to the corresponding period in 2022 was primarily attributable in the recognition of one-off share-based payment expenses of approximately HK\$3.1 million in prior year.

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 years ended 30 June 2022 and 2023 amounted to approximately HK\$8.9 million and HK\$23.2 million, respectively. The Group's net loss for the year ended 30 June 2023 was mainly attributable to the gross loss and allowance for expected credit losses of trade and other receivables and contract assets for the year ended 30 June 2023 as compared to the corresponding year in 2022. The receivable balances of the Group are monitored on an ongoing basis.

PROSPECT

The Group expects the business environment continues to be challenging and competitive. As a result of Hong Kong's property market being on the downward trend recently, 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 and renovation 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, superstructure building works and renovation 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, superstructure building works projects, and renovation 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 Hong Kong's property market, it would adjust its strategies from time to time when necessary.

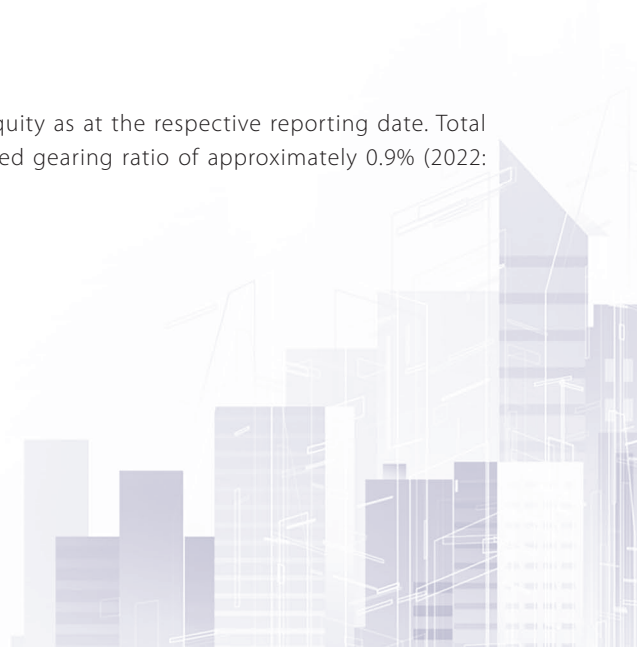
Bearing in mind the associated risks and in order to maximise the returns to the Shareholders, the Directors may also consider other investment opportunities to broaden the sources of income of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy financial position during the year ended 30 June 2023. As at 30 June 2023, the Group had cash and bank balances of approximately HK\$33.3 million (2022: HK\$30.7 million) and restricted cash balances of approximately HK\$3.3 million (2022: HK\$0.7 million). The current ratio as at 30 June 2023 was approximately 7.1 times (2022: 7.2 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 2023, the Group recorded gearing ratio of approximately 0.9% (2022: 1.8%).



Chairman's Statement & Management Discussion and Analysis

CHARGE OVER THE GROUP'S ASSETS

As at 30 June 2023, the Group pledged its deposits in insurance companies of approximately HK\$3.3 million (2022: HK\$0.7 million) as collateral for performance bonds.

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

FOREIGN EXCHANGE EXPOSURE

For the year ended 30 June 2023, 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 2023, 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 2023, the Group did not have any capital commitment (2022: nil).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no significant investment held as at 30 June 2023. The Group did not have material acquisition and disposal of subsidiaries and associated companies during the year ended 30 June 2023.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group has given guarantees on performance bonds issued by insurance companies of approximately HK\$3.3 million (2022: HK\$0.7 million) in respect of construction contracts of the Group. 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 (2022: nil).

Chairman's Statement & Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed a total of 26 employees (2022: 26 employees). The staff costs, including Directors' emoluments and share-based payment expenses, of the Group were approximately HK\$9.2 million (2022: HK\$12.6 million) for the year ended 30 June 2023.

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, 10,000,000 options has been granted to the Directors and employees of the Group under the share option scheme.

DIVIDENDS AND DIVIDEND POLICY

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

The Directors do not recommend payment of final dividend for the year ended 30 June 2023 (2022: 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, 29 September 2023



Biographical Details of the Directors

EXECUTIVE DIRECTORS

Mr. Kam Kin Bun, aged 66, 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 40 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 main 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.

Ms. Wong Mei Chun, aged 63, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chan Sin Wa Carrie, aged 44, 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.

Ms. Yip Tan, aged 31, was appointed as the INED on 30 August 2022. Ms. Yip have 10 years of management and working experience in building design and construction industry. She worked as marketing director in a Hong Kong design and construction company since 2021. In addition, she is experienced in construction, building and project management.

Mr. Yu Tat Chi Michael, aged 58, 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 and was delisted from the Stock Exchange on 28 October 2022) 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 2023 (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, one of 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 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 INEDs.

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*)

Ms. Wong Mei Chun

Independent non-executive Directors

Ms. Chan Sin Wa Carrie

Ms. Yip Tan (appointed on 30 August 2022)

Mr. Yu Tat Chi Michael

Biographical details of the Directors are set out in the section headed "Biographical Details of the Directors" of this annual report. There was no financial, business, family or other material relationship among the Directors during the year ended 30 June 2023.

In compliance with 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.

Corporate Governance Report

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.

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, one of 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

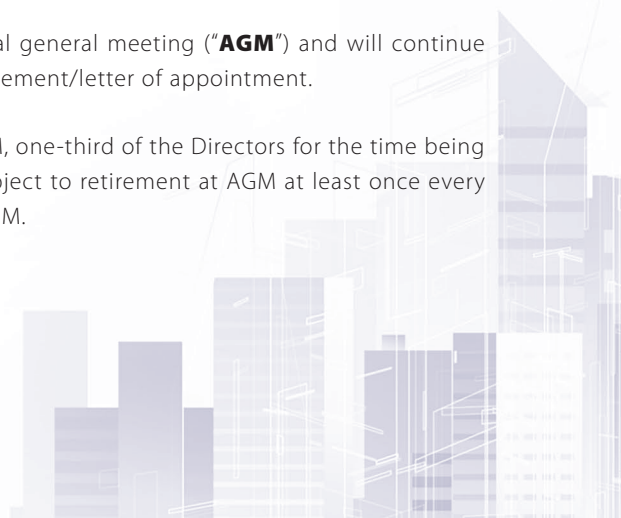
Each of the executive Directors has entered into a service agreement with the Company for a term of three years and shall continue thereafter until it is terminated by either party by giving not less than three months' written notice to the other party.

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.

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.



Corporate Governance Report

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.

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. Kam Kin Bun			✓
Ms. Wong Mei Chun			✓
Ms. Chan Sin Wa Carrie		✓	
Ms. Yip Tan	✓		
Mr. Yu Tat Chi Michael		✓	

Name of Directors	Professional experience		
	Business and management	Construction	Accounting and finance
Mr. Kam Kin Bun	✓	✓	
Ms. Wong Mei Chun	✓	✓	
Ms. Chan Sin Wa Carrie			✓
Ms. Yip Tan		✓	
Mr. Yu Tat Chi Michael			✓

Corporate Governance Report

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.

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.



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. Yu Tat Chi Michael (*Chairman*)

Ms. Chan Sin Wa Carrie

Ms. Yip Tan (appointed on 30 August 2022)

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. Yu Tat Chi Michael, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the Audit Committee.

Corporate Governance Report

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.

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*)
Mr. Kam Kin Bun
Ms. Yip Tan (appointed on 30 August 2022)
Mr. Yu Tat Chi Michael

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.



Corporate Governance Report

Remuneration Committee

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

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

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

Ms. Chan Sin Wa Carrie (*Chairman*)
 Mr. Kam Kin Bun
 Ms. Yip Tan (appointed on 30 August 2022)
 Mr. Yu Tat Chi Michael

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; (iii) review and recommend to the Board on the fees of the INEDs; and (iv) review matters relating to share scheme under Chapter 23 of the GEM Listing Rules. 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	General Meeting
Executive Directors					
Mr. Kam Kin Bun	5/5	N/A	2/2	2/2	1/1
Ms. Wong Mei Chun	5/5	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Ms. Chan Sin Wa Carrie	5/5	4/4	2/2	2/2	1/1
Ms. Yip Tan (appointed on 30 August 2022)	4/4	4/4	2/2	1/1	1/1
Mr. Yu Tat Chi Michael	5/5	4/4	2/2	2/2	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 2023, 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 consolidated 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

HLB Hodgson Impey Cheng Limited ("**HLB**") has resigned as auditors of the Company with effect from 12 July 2022 and the Company has appointed McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**") as auditors of the Company on the same day to fill the casual vacancy following the resignation of HLB as auditors of the Company. During the year ended 30 June 2023, the Company had incurred the audit services fee of engaging McMillan Woods amounted to approximately HK\$0.45 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 2023.

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 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 Report

CORPORATE GOVERNANCE FUNCTIONS

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

SHAREHOLDERS' RIGHT

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

Corporate Governance Report

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.

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

For (i) bringing the constitutional documents up to date and in line with the applicable laws of the Cayman Islands and the applicable amendments made to the GEM Listing Rules and (ii) making certain minor housekeeping amendments to the constitutional documents (the "**Amendment of Constitutional Documents**"), the Shareholders at the annual general meeting held on 29 December 2022 approved the Amendment of 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 2023.

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 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 including foundation and site formation works, demolition works and ground investigation field works. The Group also undertakes general building works including superstructure building works, slope maintenance works, hoarding works, alteration and addition works, other miscellaneous renovation and construction works. Details of the principal activities of its subsidiaries are set out in Note 30 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 2023 by operating segment is set out in Note 7 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 2023 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 2023 to be published on 29 September 2023.

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 2023, 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.



Report of the Directors

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, general building works and renovation works projects which are non-recurring in nature, and there is no guarantee that the customers will provide the Group with new business or that the Group will secure new customers;
- (ii) the Group makes estimation of the project costs in the tenders and quotations and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses;
- (iii) the Group relies on subcontractors to perform a portion of the site works and unsatisfactory performance or unavailability of the Group's subcontractors may adversely affect the Group's operations and profitability;
- (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 2023 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 2023 (2022: 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 88. This summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the Company's share capital is set out in Note 24 to the consolidated financial statements of this annual report.



Report of the Directors

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 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.

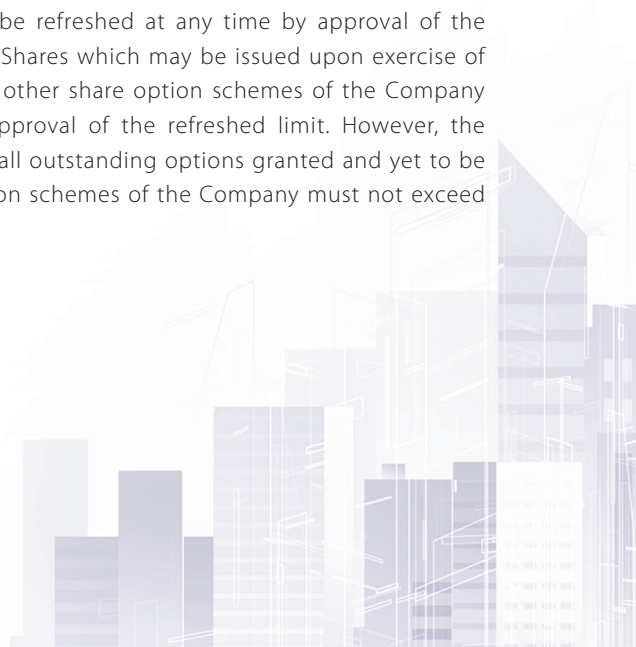
(b) Who may join and basis of eligibility

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.

(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.



Report of the Directors

(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

Details of the movement in the options granted under the Share Option Scheme during the year ended 30 June 2023 are as follows:

Details of grantees	Grant date	Exercise period	Vesting period	Outstanding as at 1 July 2022	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 30 June 2023	Exercise price per share after Share Consolidation
Directors										
Kam Kin Bun	8 October 2021	8 October 2021 to 7 October 2023	No	1,000,000	-	-	-	-	1,000,000	0.56
Wong Mei Chun	8 October 2021	8 October 2021 to 7 October 2023	No	1,000,000	-	-	-	-	1,000,000	0.56
Chan Sin Wa Carrie	8 October 2021	8 October 2021 to 7 October 2023	No	1,000,000	-	-	-	-	1,000,000	0.56
Yu Tat Chi Michael	8 October 2021	8 October 2021 to 7 October 2023	No	1,000,000	-	-	-	-	1,000,000	0.56
									4,000,000	
Employees	8 October 2021	8 October 2021 to 7 October 2023	No	6,000,000	-	-	-	-	6,000,000	0.56
									10,000,000	

Note: The Company implemented the share consolidation of every ten shares of par value of HK\$0.01 each into one Consolidated Share of par value of HK\$0.1 each, which were effective from 12 April 2022. Pursuant to the terms and conditions of the Share Option Scheme, the exercise price and the number of the outstanding share options granted under the Share Option Scheme have been adjusted accordingly with effect from 12 April 2022.

According to the Binomial option pricing model, the fair value of options granted during the year ended 30 June 2022 and assumptions are as follows:

Grant date	8 October 2021
Fair value of each option on grant date	HK\$0.031
Share price of each share on grant date	HK\$0.056
Exercise price of each option	HK\$0.056
Exercise price of each option after Share Consolidation	HK\$0.560
Expected volatility	185.51%
Option life	2 years
Risk-free rate	0.165%
Expected dividend yield	0%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Based on the fair values derived from the above pricing model, the fair value of the options granted on 8 October 2021 was approximately HK\$3,115,000, of which HK\$3,115,000 have been charged as share-based payment expenses to profit or loss for the year ended 30 June 2022.

Report of the Directors

There was no market vesting condition or non-market performance condition associated with the options granted.

At 1 July 2022 and 30 June 2023, the number of options available for grant under the Share Option Scheme is 12,000,000 and 12,000,000 respectively.

At the date of this annual report, the total number of shares available for issuance upon exercise of all options under the Share Option Scheme was 10,000,000, which represented approximately 8.3% of the issued share capital of the Company at such date.

RESERVES

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

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 2023 are set out in Note 28 to the consolidated financial statements of this annual report. 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 2023, the Company did not have any reserves available for distribution (2022: nil). Details of the movement in reserve during the year are set out in Note 33 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer accounted for approximately 41.2% of the Group's total revenue (2022: 25.9%) while the Group's five largest customers in aggregate accounted for approximately 89.2% of the Group's total revenue for the year ended 30 June 2023 (2022: 76.4%).

The Group's largest supplier accounted for approximately 14.2% of the total purchases (2022: 19.9%) while the Group's five largest suppliers accounted for approximately 47.4% of the Group's total purchases for the year ended 30 June 2023 (2022: 86.5%).

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 2023.

Report of the Directors

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, general building works and renovation 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 2023, the Group maintained good business relationships with the customers, which helped attracting further business and referrals from them.

Suppliers and Subcontractors

The Group generally orders the relevant construction materials and engages the relevant construction and renovation 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 2023, 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 2023.

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.



Report of the Directors

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*)

Ms. Wong Mei Chun

Independent non-executive Directors

Ms. Chan Sin Wa Carrie

Ms. Yip Tan (appointed on 30 August 2022)

Mr. Yu Tat Chi Michael

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

Pursuant to the Articles of Association, Mr. Kam Kin Bun, Ms. Wong Mei Chun 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.

Mr. Yu Tat Chi Michael has met the independence criteria under the GEM Listing Rules and has given confirmation of his independence to the Company. With due consideration on the above factors, the Board believes that Mr. Yu Tat Chi Michael is independent. Based on his diversified background including, but not limited to, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of Directors, the Board believes that Mr. Yu Tat Chi Michael can contribute to diversity of the Board and his expertise will enable him to fulfill his roles as the INED effectively, and provide useful and constructive opinion and make contribution to the Board and the development of the Company. 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.

Report of the Directors

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 2023.

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 page 7 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 Notes 11 and 12 to the consolidated financial statements.

The remuneration of the senior management of the Group excluding the INEDs for the year ended 30 June 2023 falls within the following band:

Remuneration Band	Number of Senior Management
Up to HK\$1,000,000	3
HK\$1,000,001 to up to HK\$2,000,000	1
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 34 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.

Report of the Directors

MANAGEMENT CONTRACTS

As at 30 June 2023, 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 other 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 2023.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the year ended 30 June 2023 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.

DISCLOSURE OF INTERESTS

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

As at 30 June 2023, 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:

Long positions in the Shares and underlying Shares

Name of Directors	Capacity	Number of the unlisted share option	Approximate percentage of total issued share capital of the Company
Mr. Kam Kin Bun	Beneficial owner	1,000,000	0.83%
Ms. Wong Mei Chun	Beneficial owner	1,000,000	0.83%
Ms. Chan Sin Wa Carrie	Beneficial owner	1,000,000	0.83%
Mr. Yu Tat Chi Michael	Beneficial owner	1,000,000	0.83%

Report of the Directors

Save as disclosed above, as at 30 June 2023, 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.

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 2023, the following person or corporation, other than the Directors and chief executives of the Company, had 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:

(i) Long Position in the Shares

Name of Shareholders	Capacity	Number of the Shares held/ interested in	Approximate percentage of the total issued share capital of the Company
Zhao Xue Mei	Beneficial owner	8,999,000	7.49%

SUFFICIENCY OF PUBLIC FLOAT

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 2023 and at any time up to the date of this report.

CHANGE OF AUDITORS

Reference is made to the announcement of the Company dated 9 July 2020. PricewaterhouseCoopers ("PwC") resigned as auditors of the Company on 9 July 2020. The Company, 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.

Reference is made to the announcement of the Company dated 12 July 2022. HLB has resigned as auditors of the Company with effect from 12 July 2022. The Company has, with the recommendation from the Audit Committee, resolved to appoint McMillan Woods as auditors of the Company on the same day to fill the casual vacancy following the resignation of HLB as auditors of the Company.

Report of the Directors

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling Shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete, directly or indirectly, with the business of the Group or any other conflicts of interest which any such person has or may have with the Group during the year ended 30 June 2023 and up to the date of this report.

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 2023.

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 8 to 19 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 2023.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 30 June 2023 have been audited by McMillan Woods (Hong Kong) CPA Limited. A resolution will be proposed at the forthcoming AGM of the Company to reappoint McMillan Woods (Hong Kong) CPA 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, 29 September 2023



Independent Auditor's Report



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 (the "Group") set out on pages 38 to 87, which comprise the consolidated statement of financial position as at 30 June 2023, 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 2023, 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 ("HSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

1. Revenue recognition for construction works; and
2. Allowances for expected credit losses ("ECL") of trade receivables and contract assets



Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Revenue recognition for construction works</i></p> <p>Refer to the significant accounting policies in Note 4(f), critical judgements and key estimates in Note 5(b) and relevant disclosure in Note 8 to the consolidated financial statements.</p> <p>For the year ended 30 June 2023, the Group's revenue recognised for contract works amounted to approximately HK\$37,420,000.</p> <p>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.</p> <p>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.</p> <p>We focused on this area due to the significance of the revenue to the consolidated financial statements and the significant estimates and judgements involved in the estimation.</p>	<p>Our procedures in relation to the measurement of value of construction works included:</p> <ul style="list-style-type: none"> • Understanding and evaluating the key controls over the recognition of contract revenue; • Inspecting material construction contracts of the Group for agreed contract sum and variations, if any; • Assessing the competence, capabilities and objectivity of the architects, surveyors or other representatives appointed by the customers; • Tracing 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; • Assessing 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 subsequent to the end of reporting period that indicate the value of construction works completed up to date; and • Assessing the adequacy of the disclosures related to the revenue recognition of construction contracts in the context of HKFRS disclosure requirements.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter *(Continued)*

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

Allowances for ECL of trade receivables and contract assets

Refer to the significant accounting policies in Note 4(u), critical judgements and key estimates in Note 5(d) and relevant disclosure in Notes 6(b), 17 and 18 to the consolidated financial statements.

As at 30 June 2023, gross trade receivables and contract assets amounted to approximately HK\$8,297,000 and HK\$9,380,000, and allowance for ECL of approximately HK\$8,297,000 and HK\$4,293,000 were provided against the gross amounts of trade receivables and contract assets, respectively.

The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors.

We focused on this area as the balances of trade receivables and contract assets represents 12% of the total assets of the Group and the assessments on the allowances for ECL of on these receivables involved significant judgements and estimates by management.

We have performed the following procedures in relation to the allowances for ECL of trade receivables and contract assets:

- Obtaining an understanding of and evaluating the Group's credit policies and internal control on ECL assessment;
- With the assistance of auditor's expert, assessing the reasonableness of the Group's ECL models by examining the model input used by management to form such judgements, including testing the accuracy of the default data, evaluating whether the loss rates are appropriately adjusted based on current economic conditions and forward-looking information and assessing whether there was an indication of management bias when recognising loss allowances;
- Recalculating the amounts of the ECL on trade receivables and contract assets and assessing the appropriateness and adequacy of the ECL as at 30 June 2023; and
- Reviewing the appropriateness of the disclosures made in the consolidated financial statements in relation to the Group's credit risk exposure.



Independent Auditor's Report

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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.

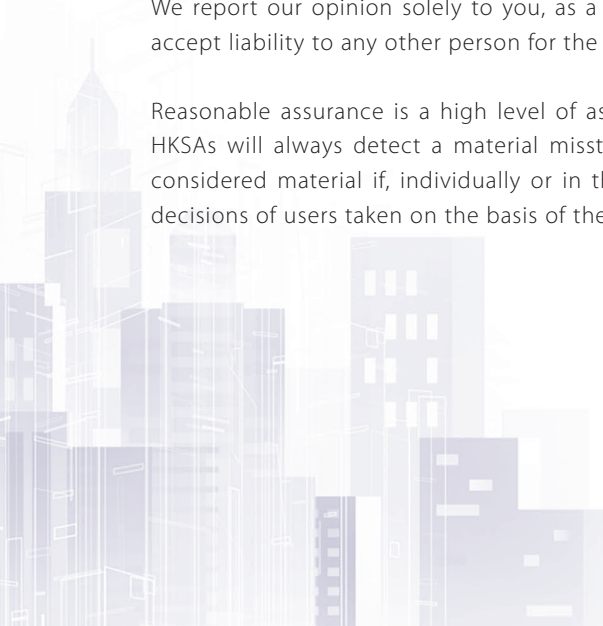
In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Auditor's Report

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

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

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

We communicate with 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 Auditor's Report

AUDITOR'S 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

McMillan Woods (Hong Kong) CPA Limited

Certified Public Accountants

Ho Wai Kuen

Audit Engagement Director

Practising Certificate Number: P05966

24/F., Siu On Centre

188 Lockhart Road

Wan Chai

Hong Kong

29 September 2023



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Revenue	8	37,420	65,331
Cost of services		(40,527)	(57,124)
Gross (loss)/profit		(3,107)	8,207
Other income	9	357	215
Administrative expenses		(11,303)	(12,849)
Finance costs	10	(43)	(51)
Impairment loss of property, plant and equipment		–	(1,164)
Impairment loss of right-of-use assets		–	(334)
Provision of allowance for expected credit losses (“ECL”) of trade and other receivables and contract assets, net		(9,107)	(2,972)
Loss before tax	11	(23,203)	(8,948)
Income tax	13	–	–
Loss and total comprehensive loss for the year attributable to owners of the Company		(23,203)	(8,948)
Loss per share (expressed in HK cents per share)			
Basic	14	(19.3)	(8.0)
Diluted	14	N/A	N/A

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 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment	15	396	71
Right-of-use assets	16	328	602
Deposits	19	17	45
		741	718
Current assets			
Trade receivables	17	–	18,747
Contract assets	18	5,087	17,433
Deposits, prepayments and other receivables	19	159	1,274
Restricted cash	20	3,258	748
Cash and cash equivalents	20	33,291	30,710
		41,795	68,912
Current liabilities			
Trade and retention payables	21	3,420	6,400
Accruals and other payables	22	2,239	2,432
Leases liabilities	23	225	726
		5,884	9,558
Net current assets		35,911	59,354
Total assets less current liabilities		36,652	60,072



Consolidated Statement of Financial Position

As at 30 June 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current liabilities			
Lease liabilities	23	107	324
Net assets			
EQUITY			
Share capital	24	12,000	12,000
Reserves		24,545	47,748
Total equity		36,545	59,748

The consolidated financial statements on pages 38 to 87 were approved for issue by the Board of Directors on 29 September 2023 and were signed on its behalf by:

Mr. KAM Kin Bun
Director

Ms. WONG Mei Chun
Director



Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 <i>(Note (i))</i>	Other reserves HK\$'000 <i>(Note (ii))</i>	Share option reserve HK\$'000 <i>(Note (iii))</i>	Retained earnings/ (accumulated losses) HK\$'000	
As at 1 July 2021	10,000	36,855	10,100	–	490	57,445
Recognition of share-based payments expense	–	–	–	3,115	–	3,115
Issue of shares upon placing <i>(Note 24)</i>	2,000	6,400	–	–	–	8,400
Transaction cost on issuance of shares upon placing	–	(264)	–	–	–	(264)
Loss and total comprehensive loss for the year	–	–	–	–	(8,948)	(8,948)
As at 30 June 2022 and 1 July 2022	12,000	42,991	10,100	3,115	(8,458)	59,748
Loss and total comprehensive loss for the year	–	–	–	–	(23,203)	(23,203)
As at 30 June 2023	12,000	42,991	10,100	3,115	(31,661)	36,545

Notes:

- (i) 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.
- (iii) The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in Note 4(p) to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities		
Loss before tax	(23,203)	(8,948)
Adjustments for:		
Finance costs	43	51
Interest income	(133)	–
Depreciation of property, plant and equipment	43	441
Depreciation of right-of-use assets	396	273
Impairment loss of property, plant and equipment	–	1,164
Impairment loss of right-of-use assets	–	334
Provision of allowance for ECL of trade and other receivables and contract assets	9,107	2,972
Gain on termination of lease	(213)	(181)
Equity-settled share-based payment	–	3,115
Written-off of trade receivables	3,456	–
Written-off of other receivables	–	666
	(10,504)	(113)
Changes in working capital:		
Trade receivables	9,882	(21,180)
Contract assets	8,632	(5,376)
Deposits, prepayments and other receivables	1,159	(788)
Restricted cash	(2,510)	1,352
Trade and retention payables	(2,980)	1,306
Accruals and other payables	(193)	155
Cash generated from/(used in) operations	3,486	(24,644)
Hong Kong Profits Tax refunded	–	155
Net cash generated from/(used in) operating activities	3,486	(24,489)
Cash flows from investing activities		
Purchases of property, plant and equipment	(368)	(1,676)
Interest received	133	–
Net cash used in investing activities	(235)	(1,676)
Cash flows from financing activities		
Proceeds from issue of shares upon placing	–	8,400
Expenses from issue of shares upon placing	–	(264)
Repayments of lease liabilities	(627)	(657)
Interest on lease liabilities paid	(43)	(51)
Net cash (used in)/generated from financing activities	(670)	7,428
Increase/(decrease) in cash and cash equivalents	2,581	(18,737)
Cash and cash equivalents at the beginning of the year	30,710	49,447
Cash and cash equivalents at the end of the year	33,291	30,710

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

1 GENERAL INFORMATION

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

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Flat A, 6/F, Evernew Commercial Centre, 33 Pine Street, Tai Kok Tsui, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of the Company’s subsidiaries are set out in Note 30 to the consolidated financial statements.

The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (“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 presentation and functional currency of the Company, and all values are rounded to the nearest thousands (HK\$’000), unless otherwise stated.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.



Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

3 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are effective for the annual period beginning on or after 1 July 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41
Amendments to Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The application of 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.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 July 2022. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKAS 12 – International Tax Reform – Pillar Two Model Rules	1 January 2023 (except for HKAS 12 paragraphs 4A and 88A which are immediately effective upon issue of the amendments)
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 Revised Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Consolidation

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

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). The results of subsidiaries are accounted for by the Company on the basis of dividend received or 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation

(i) Functional and presentation currency

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

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

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

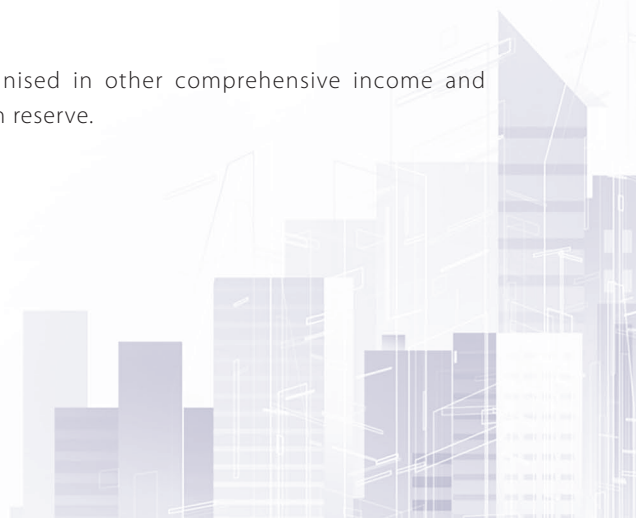
Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

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

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.



Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes. Property, 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

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

Leasehold improvement	Over the term of the lease
Furniture and equipment	20%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(d) Lease

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Lease *(Continued)*

The Group as a lessee *(Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment/the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.



Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Lease *(Continued)*

The Group as a lessee *(Continued)*

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

(e) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 4(u) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.



Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method, i.e. based on 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 directors consider that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15.

The Group becomes entitled to invoice customers for construction of properties based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work signed by a third party assessor and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the output method and the milestone payment is always less than one year.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

(g) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Recognition and derecognition of financial instruments *(Continued)*

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

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(h) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial liabilities and equity instruments

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

(l) Trade and other payables

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

(m) Equity instruments

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

(n) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from construction contracts is recognised in accordance with the policy set out in Note 4(f) above.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or fair value through other comprehensive income (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(o) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits *(Continued)*

(iii) Termination benefits

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

(p) Share-based payments

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

(q) Borrowing costs

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

(r) Government grants

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

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

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

(s) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items 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 differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Impairment of non-financial assets *(Continued)*

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(u) Impairment of financial assets and contracts assets

The Group recognises a loss allowance for ECL on trade receivables and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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 at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Impairment of financial assets and contracts assets *(Continued)*

Significant increase in credit risk *(Continued)*

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

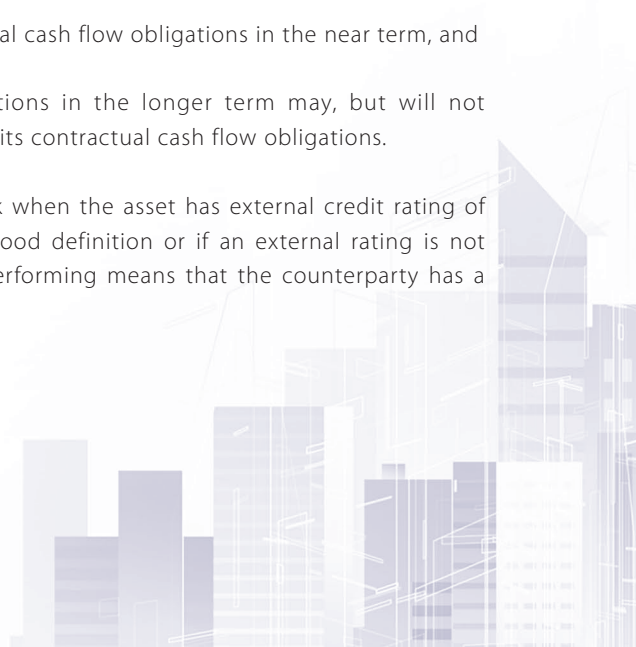
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial 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;
- significant increases in credit risk on other financial instruments of the same 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.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default,
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.



Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Impairment of financial assets and contracts assets *(Continued)*

Significant increase in credit risk *(Continued)*

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.

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).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset 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

A 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:

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Impairment of financial assets and contracts assets *(Continued)*

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss 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 original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(v) Provisions and contingent liabilities

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

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

(w) Events after the reporting period

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

5 CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in Note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Significant increase in credit risk

As explained in Note 4(u) to the consolidated financial statements, ECL on financial assets other than trade receivables and contract assets are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key sources of estimation uncertainty

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

(b) Revenue recognition of construction contracts

As disclosed in Note 4(f) to the consolidated financial statements, revenue recognition on a construction contract is based on the surveys of specialised works and general building works completed by the Group and certified by architects, surveyors or other representatives appointed by the customers.

At the end of reporting period, the management estimate 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.

At the end of the reporting period, the Group's contract assets was amounted to approximately HK\$5,087,000 (net of allowance for ECL of approximately HK\$4,293,000) (2022: HK\$17,433,000) (net of allowance for ECL of approximately HK\$579,000).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

5 CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amounts of property, plant and equipment and right-of-use assets as at 30 June 2023 were approximately HK\$396,000 (2022: HK\$71,000) and HK\$328,000 (2022: HK\$602,000) respectively.

(d) Impairment of trade receivables and contract assets

The management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 30 June 2023, the aggregated carrying amount of trade receivables and contract assets was approximately HK\$5,087,000 (net of aggregated allowance for ECL of approximately HK\$12,590,000) (2022: HK\$36,180,000 (net of aggregated allowance for ECL of approximately HK\$3,663,000)).



Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

6 FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its transactions, assets and liabilities are principally denominated in HK\$, the functional currency of the Group's entities.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and contract assets) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents and restricted cash is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

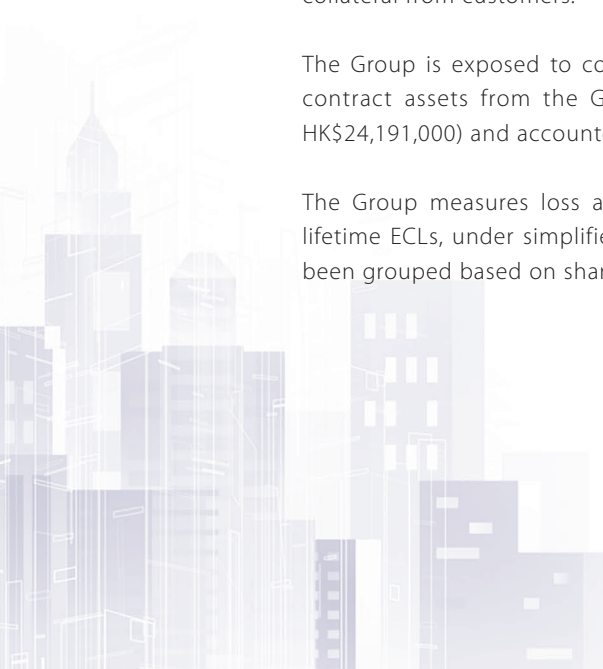
The Group does not provide any financial guarantees which would expose the Group to credit risk.

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group is exposed to concentration of credit risk as at 30 June 2023 on gross trade receivables and contract assets from the Group's top five debtors amounting to approximately HK\$15,164,000 (2022: HK\$24,191,000) and accounted for 86% (2022: 61%).

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, under simplified approach. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristic and the days past due.



Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

6 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	Expected loss rate %	2023 Gross carrying amount HK\$'000	Loss allowance HK\$'000
Trade receivables			
Current (not past due)	–	–	–
More than 90 days past due	100	8,297	(8,297)
		–	–
Contract assets			
Current (not past due)	45.8	9,380	(4,293)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

6 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables and contract assets *(Continued)*

	Expected loss rate %	2022 Gross carrying amount HK\$'000	Loss allowance HK\$'000
Trade receivables			
Current (not past due)	3.7	1,722	(64)
1 – 30 days past due	20.5	7,581	(1,553)
31 – 120 days past due	3.6	5,453	(196)
More than 120 days past due	18.0	7,075	(1,271)
		21,831	(3,084)
Contract assets			
Current (not past due)	3.2	18,012	(579)

Expected loss rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. It considers available reasonable and supportive forwarding-looking information.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

6 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables and contract assets *(Continued)*

Movement in the loss allowance for trade receivables and contract assets during the year is as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 July	3,663	715
ECLs recognised for the year	9,123	2,948
Amounts written off during the year	(196)	–
At 30 June	12,590	3,663

Deposits and other receivables

Deposits and other receivables are assessed individually for expected credit allowance. The Group recognised the provision for ECL by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery, forward looking information and considering the prevailing economic conditions.

The deposits and other receivables are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. At the end of reporting period, all of the Group's deposits and other receivables are considered to have low credit risk, and the loss allowance recognised during the reporting period was therefore limited to 12-month expected losses.

Movements in the ECLs for deposits and other receivables during the year is as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 July	53	29
ECLs recognised for the year	–	24
Reversals of ECLs recognised for the year	(16)	–
At 30 June	37	53

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

6 FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

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

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 30 June 2023					
Trade and retention payables	3,420	–	–	–	3,420
Accruals and other payables	2,239	–	–	–	2,239
Lease liabilities	237	110	–	–	347
	5,896	110	–	–	6,006

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

6 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquid risk (Continued)

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 30 June 2022					
Trade and retention payables	6,400	–	–	–	6,400
Accruals and other payables	2,432	–	–	–	2,432
Lease liabilities	771	331	–	–	1,102
	9,603	331	–	–	9,934

(d) Interest rate risk

The Group's lease liabilities, certain bank deposit and certain restricted cash bear interest at fixed interest rates and therefore are subject to fair value interest rate risks.

Except as stated above, the Group does not have other significant interest-bearing assets and liabilities at the end of reporting period, its income and operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments at 30 June

	2023 HK\$'000	2022 HK\$'000
Financial assets:		
Financial assets at amortised cost	36,714	51,195
Financial liabilities:		
Financial liabilities at amortised cost	5,659	8,832

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values as at 30 June 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

7 SEGMENT INFORMATION

The chief operating decision maker (“CODM”) has been identified as the executive directors of the Company 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 financial performance 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. The Group undertakes specialised works including foundation and site formation works, demolition works and ground investigation field works. The Group also undertakes general building works including superstructure building works, slope maintenance works, hoarding works, alteration and addition works, other miscellaneous renovation and construction works. 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 2023 and 2022. During the year ended 30 June 2023, revenue from 3 (2022: 2) customers individually contributed over 10% of the Group’s revenue. The revenue from each of these customers during the year are summarised below:

	2023 HK\$’000	2022 HK\$’000
Customer A	15,417	11,919
Customer B	N/A*	8,180
Customer C	7,489	N/A**
Customer D	4,552	N/A*

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

** No revenue was contributed from the corresponding customer for the specific year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

8 REVENUE

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

	2023 HK\$'000	2022 HK\$'000
Recognised over time within the scope of HKFRS 15		
Contract revenue	37,420	65,331

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2023 and 2022 and the expected timing of recognising revenue as follows:

	Construction contracts	
	2023 HK\$'000	2022 HK\$'000
Within one year	79,918	44,001
More than one year but not more than two years	31,073	–
	110,991	44,001

9 OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Government grants (<i>Note</i>)	78	192
Interest income	133	–
Sundry income	146	23
	357	215

Note: During the year, the Group recognised government grants of approximately HK\$78,000 (2022: HK\$192,000) in respect of Covid-19-related subsidies, which relates to Employment Support Scheme provided by the Hong Kong Government. There were no unfulfilled conditions or contingencies relating to these government grants.

10 FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	43	51

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

11 LOSS BEFORE TAX

Loss before tax is arrived after charging/(crediting):

	2023 HK\$'000	2022 HK\$'000
Auditor's remuneration	450	450
Construction costs recognised in cost of services (Note a)	40,527	57,124
Employee benefits expenses, including directors' emoluments (Note c)	4,663	7,572
Depreciation of property, plant and equipment	43	441
Depreciation of right-of-use assets	396	273
Short-term lease expenses (Note b)		
– Office and storage premises	289	164
– Machinery and equipment	113	15
Gain on termination of lease	(213)	(181)
Impairment loss of property, plant and equipment	–	1,164
Impairment loss of right-of-use assets	–	334
Provision of allowance for ECL of trade and other receivables and contract assets, net	9,107	2,972
Written-off of trade receivables	3,456	–
Written-off of other receivables	–	666

Notes:

- (a) Construction costs included costs of construction materials, project related staff costs, subcontracting charges, short-term lease expense, insurance and transportation cost.
- (b) The amount included in cost of services rendered for the years ended 30 June 2023 and 2022 amounting to approximately HK\$346,000 and HK\$157,000 respectively.
- (c) Employee benefits expenses, including directors' emoluments

	2023 HK\$'000	2022 HK\$'000
Wages, salaries, discretionary bonuses and other benefits	9,031	9,301
Pension costs – defined contribution plans	131	196
Equity-settled discretionary share-based payments	–	3,115
	9,162	12,612
Amount included in construction costs	(4,499)	(5,040)
	4,663	7,572
Amount included in administrative expenses		

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

11 LOSS BEFORE TAX (Continued)

Notes: (Continued)

(d) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group including 1 (2022: 2) director(s) whose remuneration are reflected in the analysis presented in Note 12 below.

The remuneration paid to the remaining 4 (2022: 3) individuals are as follows:

	2023 HK\$'000	2022 HK\$'000
Wages, salaries and other benefits	3,798	1,624
Discretionary bonuses	218	203
Pension costs – defined contribution plans	72	54
	4,088	1,881

The emoluments of the five highest paid individuals who are not the director fell within the following bands:

Band of emoluments (HK\$)	2023 Number of person	2022 Number of person
Nil – HK\$1,000,000	3	3
HK\$1,500,001 – HK\$2,000,000	1	–

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 2023 and 2022.

The remuneration of five highest paid individuals of the Company including the discretionary bonus is determined having regard to the performance and market trend by the remuneration committee of the Company.



Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

12 DIRECTORS' 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 2023:

	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind (Note (i)) HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Executive directors:						
Mr. Kam Kin Bun (Chairman)	–	1,690	200	274	18	2,182
Ms. Wong Mei Chun (Note (b))	240	–	–	–	–	240
Independent non-executive directors:						
Ms. Chan Sin Wa Carrie (Note (f))	180	–	–	–	–	180
Mr. Yu Tat Chi Michael (Note (g))	120	–	–	–	–	120
Ms. Yip Tan (Note (h))	80	–	–	–	–	80
	620	1,690	200	274	18	2,802

For the year ended 30 June 2022:

	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind (Note (i)) HK\$'000	Employer's contribution to pension scheme HK\$'000	Share-based payments HK\$'000	Total HK\$'000
Executive directors:							
Mr. Kung Cheung Fai Patrick (Note (a))	–	773	100	–	9	–	882
Mr. Kam Kin Bun (Chairman)	–	1,428	225	284	18	326	2,281
Ms. Wong Mei Chun (Note (b))	223	–	–	–	–	326	549
Independent non-executive directors:							
Mr. Leung Chi Hung (Note (c))	165	–	–	–	–	–	165
Ms. Wong Lai Na (Note (d))	30	–	–	–	–	–	30
Ms. Yen Kwun Wing (Note (e))	30	–	–	–	–	–	30
Ms. Chan Sin Wa Carrie (Note (f))	167	–	–	–	–	326	493
Mr. Yu Tat Chi Michael (Note (g))	94	–	–	–	–	326	420
	709	2,201	325	284	27	1,304	4,850

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

12 DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

- (a) Retired on 30 December 2021.
- (b) Appointed on 28 July 2021.
- (c) Resigned on 31 May 2022.
- (d) Resigned on 28 July 2021.
- (e) Resigned on 28 July 2021.
- (f) Appointed on 28 July 2021.
- (g) Appointed on 20 September 2021.
- (h) Appointed on 30 August 2022.
- (i) The allowances and benefits in kind represent the lease payments for a director's quarter.

The remuneration shown above represents remuneration received or receivable from the Group by the executive and independent non-executive directors in their capacity as employees to the Company and its subsidiaries.

During the years ended 30 June 2023 and 2022, 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 2023 and 2022.

The remuneration of directors of the Company including the discretionary bonus is determined having regard to the performance and market trend by the remuneration committee of the Company.

Save for disclosed in Note 28 to these consolidated financial statements, no other significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which the directors of the Company and the directors' connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

13 INCOME TAX

Under the two-tiered Profits Tax rates regime, the first HK\$2,000,000 of profits of a qualifying corporation of the Group will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. During the years ended 30 June 2023 and 2022, the Group's Hong Kong entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

No overseas profits tax has been calculated for entities of the Group that are incorporated in the BVI or the Cayman Islands as they are exempted from tax for the years ended 30 June 2023 and 2022.

No Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's Hong Kong entities did not have assessable profit for the year ended 30 June 2023 (2022: Nil).

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

	2023 HK\$'000	2022 HK\$'000
Loss before tax	(23,203)	(8,948)
Tax calculated at a tax rate of 16.5% (2022: 16.5%)	(3,828)	(1,476)
Expenses not deductible for tax purposes	247	625
Income not subject to tax	(68)	(104)
Tax losses not recognised	2,176	532
Unrecognised tax losses utilised	–	(304)
Temporary difference not recognised	1,473	727
Income tax	–	–

14 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.

	2023	2022
Loss attributable to owners of the Company (in HK\$'000)	(23,203)	(8,948)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (in thousand)	120,000	111,475
Loss per share (HK cents per share)	(19.3)	(8.0)

(b) Diluted

The effect of the Company's outstanding share options for the years ended 30 June 2023 and 2022 do not give rise to any dilution to loss per share.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
As at 1 July 2021	–	498	574	1,072
Additions	1,600	76	–	1,676
As at 30 June 2022 and 1 July 2022	1,600	574	574	2,748
Additions	–	20	348	368
Written off	(1,600)	–	–	(1,600)
As at 30 June 2022	–	594	922	1,516
Accumulated depreciation and impairment				
As at 1 July 2021	–	(498)	(574)	(1,072)
Charge for the year	(436)	(5)	–	(441)
Impairment losses	(1,164)	–	–	(1,164)
As at 30 June 2022 and 1 July 2022	(1,600)	(503)	(574)	(2,677)
Charge for the year	–	(17)	(26)	(43)
Written off	1,600	–	–	1,600
As at 30 June 2023	–	(520)	(600)	(1,120)
Net carrying values				
As at 30 June 2023	–	74	322	396
As at 30 June 2022	–	71	–	71

As at 30 June 2022, the Group's relevant property, plant and equipment and right-of-use assets had been allocated to business of internal fitting-out, alteration and addition works in Hong Kong (the "Renovation CGU") for impairment assessment due to a slow-down in the renovation sector with fewer projects. The income approach is applied in the calculation of value in use of the Renovation 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 13%. Cash flows beyond the five year period have been extrapolated using an estimated constant growth rate of 2.5% which does not exceed the long term 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 Renovation CGU's historical performance, management's strategic plans and expectations for the market development.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Based on the result of the assessment, management of the Group determined that the recoverable amount of HK\$Nil of the Renovation CGU based on the value in use is lower than its carrying amount. Based on the value in use calculation and the allocation, an impairment of approximately HK\$1,164,000 and HK\$334,000 respectively were recognised against the carrying amount of property, plant and equipment and right-of-use assets attributable to the Renovation CGU for the year ended 30 June 2022.

16 RIGHT-OF-USE ASSETS

	Leased premises HK\$'000
As at 1 July 2021	–
Additions	1,209
Depreciation	(273)
Impairment losses	(334)
As at 30 June 2022	602
Additions	249
Depreciation	(396)
Termination of lease	(127)
As at 30 June 2023	328

	2023 HK\$'000	2022 HK\$'000
Depreciation of right-of-use assets	396	273
Interest expense on lease liabilities (included in finance costs)	43	51
Expenses relating to short-term leases (included in cost of services)	346	157
Expenses relating to short-term leases (included in administrative expenses)	56	22

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

16 RIGHT-OF-USE ASSETS (Continued)

For both years, the Group leases various offices, storage premises, machineries and equipments for its operations. Lease contracts are entered into for fixed term of 1 to 2 years (2022: 1 to 2 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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.

Details of the impairment assessment as set out in Note 15 to the consolidated financial statements.

17 TRADE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	8,297	21,831
Less: Allowance for ECL	(8,297)	(3,084)
	–	18,747

The Group's credit terms granted to third-party customers are ranged from 30 to 60 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:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	–	1,722
Within 61-90 days	–	7,581
Within 91-180 days	–	5,453
Within 180 days-1 year	–	6,360
Over 1 year	8,297	715
	8,297	21,831

Details of impairment assessment of trade receivables for the years ended 30 June 2023 and 2022 are set out in Note 6(b) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

18 CONTRACT ASSETS

	2023	2022
	HK\$'000	HK\$'000
Contract assets relating to:		
Uncertified work-in-progress	2,580	7,214
Retention receivables	6,800	10,798
	9,380	18,012
Less: Allowance for ECL	(4,293)	(579)
Contract assets, net	5,087	17,433

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 pre-agreed time period. The Group does not hold any collateral as security. Any amount previously recognised as a contract asset is reclassified to trade 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 approximately HK\$258,000 (2022: HK\$8,875,000), all of which relates to retentions.

The decrease (2022: increase) in contract assets was result of increase of construction projects completed and finalised (2022: the increase of construction services yet been certified) during the year ended 30 June 2023.

Details of impairment assessment of contract assets for the years ended 30 June 2023 and 2022 are set out in Note 6(b) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Deposits and other receivables	202	1,043
Prepayments	11	329
	213	1,372
Less: Allowance for ECL	(37)	(53)
Deposits, prepayments and other receivables, net	176	1,319
Less: Non-current portion – Deposits	(17)	(45)
	159	1,274

Details of impairment assessment of deposits and other receivables for the years ended 30 June 2023 and 2022 are set out in Note 6(b) to the consolidated financial statements.

20 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	2023 HK\$'000	2022 HK\$'000
Restricted cash	3,258	748

As at 30 June 2023, restricted cash represented deposits of approximately HK\$3,258,000 (2022: HK\$748,000) placed in insurance companies as collateral for performance bonds. The restricted cash of approximately HK\$3,090,000 carrying a fixed-rate interest of 4.05% (2022: Nil). The remaining restricted cash is interest-free.

	2023 HK\$'000	2022 HK\$'000
Cash and cash equivalents	33,291	30,710

The carrying amounts of cash and cash equivalents are denominated in HK\$.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

21 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.

	2023 HK\$'000	2022 HK\$'000
Trade payables	1,196	3,544
Retention payables	2,224	2,856
	3,420	6,400

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

	2023 HK\$'000	2022 HK\$'000
Up to 30 days	796	3,544
Over 1 year	400	–
	1,196	3,544

As at 30 June 2023, the amount of the Group's retention payables expected to be due after more than twelve months was approximately HK\$Nil (2022: HK\$1,775,000).

22 ACCRUALS AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Accrued legal and professional fees	473	712
Other accruals and other payables	1,766	1,720
	2,239	2,432

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

23 LEASE LIABILITIES

The total future minimum lease payment of lease arrangements and their present values as at 30 June 2023 and 2022 are as follows:

	2023		2022	
	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	237	225	771	726
Later than 1 year and no later than 5 years	110	107	331	324
Total future minimum lease payment	347	332	1,102	1,050
Less: total future interest expenses	(15)	N/A	(52)	N/A
Present value of lease liabilities	332	332	1,050	1,050
Less: Amount due from settlement no later than one year		(225)		(726)
Amount due from settlement after one year		107		324

The incremental borrowing rates of the lease liabilities are between 5.58% to 7.3% (2022: 2.5% to 7.3%) per annum.

24 SHARE CAPITAL

	Note	Number of shares (in thousand)	Share capital HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each as at 1 July 2021		5,000,000	50,000
Share Consolidation	(ii)	(4,500,000)	–
Ordinary shares of HK\$0.1 each as at 30 June 2022, 1 July 2022 and 30 June 2023		500,000	50,000
Issued and fully paid:			
Ordinary shares of HK\$0.01 each as at 1 July 2021		1,000,000	10,000
Issue of shares upon the Placing	(i)	200,000	2,000
Share Consolidation	(ii)	(1,080,000)	–
Ordinary shares of HK\$0.1 each as at 30 June 2022, 1 July 2022 and 30 June 2023		120,000	12,000

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

24 SHARE CAPITAL (Continued)

Notes:

- (i) On 16 November 2021, the Company and the placing agent entered into the placing agreement pursuant to which the placing agent has conditionally agreed to place, on a best effort basis, to not less than six places, for up to 200,000,000 placing shares at the placing price of HK\$0.042 per placing share (the "Placing"). The Placing was completed on 3 December 2021. The Company received net proceeds, after deducting the related expenses, from the Placing amounted to approximately HK\$8.1 million.
- (ii) Pursuant to an ordinary resolution passed by the shareholders of the Company at an extraordinary general meeting on 8 April 2022, every ten issued and unissued shares of HK\$0.01 each in share capital of the Company be consolidated into one share of HK\$0.1 each with effect from 12 April 2022 (the "Share Consolidation").

Prior to the Share Consolidation, the authorised share capital of the Company was HK\$50,000,000 divided into 5,000,000,000 shares of par value of HK\$0.01 each, of which 1,200,000,000 shares of par value of HK\$0.01 each were in issue and were fully paid or credited as fully paid. Immediately following the implementation of the Share Consolidation, the Company's authorised share capital becomes HK\$50,000,000 divided into 500,000,000 shares of par value of HK\$0.1 each, and its issued share capital becomes HK\$12,000,000 divided into 120,000,000 shares of par value of HK\$0.1 each.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts.

The externally imposed capital requirements for the Group is in order to maintain its listing on the Stock Exchange it has to have a public float at least 25% of the shares. During the years ended 30 June 2023 and 2022, the Group complied with the above public float requirement.

25 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 30 June 2023 (2022: Nil).

26 DEFERRED TAX

At the end of the reporting period, the Group has unused tax losses of approximately HK\$26,851,000 (2022: HK\$13,666,000) available for offset against future profits. At the end of the reporting period, no deferred tax asset has been recognised in respect of such unused tax loss due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

27 SHARE OPTION SCHEME

The Company has a share option scheme ("Scheme") which was adopted on 1 December 2017 whereby the directors of the Company are authorised, at their discretion, to invite eligible person to take up options to subscribe for ordinary shares of the Company. The purpose of the 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. The Scheme shall be valid and effective for a period of ten years commencing on the date on which the Scheme become effective, after which no further options will be granted. The exercise price of options is the highest of the nominal value of the shares (if any), the closing price of the shares on the Stock Exchange on the date of grant and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

27 SHARE OPTION SCHEME (Continued)

Details of the movements of the share options granted by the Company pursuant to the Scheme from the date of grant are as below:

		2023							
Date of grant	Exercise period of share options	No. of options outstanding at the beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Adjustments during the year	No. of options outstanding at the end of the year	Adjusted exercise price per share (HK\$) (Note (b))	
Director									
Kam Kin Bun	8 October 2021 to 7 October 2023	1,000,000	-	-	-	-	1,000,000	0.56	
Wong Mei Chun	8 October 2021 to 7 October 2023	1,000,000	-	-	-	-	1,000,000	0.56	
Chan Sin Wa Carrie	8 October 2021 to 7 October 2023	1,000,000	-	-	-	-	1,000,000	0.56	
Yu Tat Chi Michael	8 October 2021 to 7 October 2023	1,000,000	-	-	-	-	1,000,000	0.56	
Employees									
	8 October 2021 to 7 October 2023	6,000,000	-	-	-	-	6,000,000	0.56	
		10,000,000	-	-	-	-	10,000,000	0.56	

		2022							
Date of grant	Exercise period of share options	No. of options outstanding at the beginning of the year	Granted during the year (Note (a))	Exercised during the year	Lapsed during the year	Adjustments during the year (Note (b))	No. of options outstanding at the end of the year	Adjusted exercise price per share (HK\$) (Note (b))	
Director									
Kam Kin Bun	8 October 2021 to 7 October 2023	-	10,000,000	-	-	(9,000,000)	1,000,000	0.56	
Wong Mei Chun	8 October 2021 to 7 October 2023	-	10,000,000	-	-	(9,000,000)	1,000,000	0.56	
Chan Sin Wa Carrie	8 October 2021 to 7 October 2023	-	10,000,000	-	-	(9,000,000)	1,000,000	0.56	
Yu Tat Chi Michael	8 October 2021 to 7 October 2023	-	10,000,000	-	-	(9,000,000)	1,000,000	0.56	
Employees									
	8 October 2021 to 7 October 2023	-	60,000,000	-	-	(54,000,000)	6,000,000	0.56	
		-	100,000,000	-	-	(90,000,000)	10,000,000	0.56	

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

27 SHARE OPTION SCHEME (Continued)

Notes:

- (a) During the year ended 30 June 2022, the Company granted a total of 100,000,000 share options (the "Option(s)") to certain eligible participants which were director and employees of the Group (the "Grantees"), to subscribe for ordinary shares of HK\$0.056 each of the Company subject to the acceptance of the Grantees and the payment of HK\$1.00 by each of the Grantees upon acceptance of the Options on 8 October 2021. Out of the above 100,000,000 Options, 40,000,000 Options were granted to certain directors of the Company while the remaining Options were granted to the employees of the Group. The Options shall be valid and effective for a period from 8 October 2021 to 7 October 2023.
- (b) Adjustments are made for the Share Consolidation with effect from 12 April 2022 (Note 24).

The fair value of the Options were calculated using the Binomial Pricing Model. The inputs into the model were as follows:

	8 October 2021
Grant date share price	HK\$0.056
Exercise price	HK\$0.056
Expected volatility	185.51%
Expected life	2 years
Risk-free rate	0.165%
Expected dividend yield	0%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. The assumptions used in computing the fair value of the share options are based on management's best estimate. Changes in the subjective input assumptions could materially affect the fair value estimate.

The equity-settled share-based payment charged to the profit or loss was approximately HK\$3,115,000 for the year ended 30 June 2022. No equity-settled share-based payment charged to the profit or loss for the year ended 30 June 2023.

At the end of the reporting period, the Company has 10,000,000 (2022: 10,000,000) share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 10,000,000 (2022: 10,000,000) additional ordinary shares of the Company and additional share capital of approximately HK\$1,000,000 (2022: HK\$1,000,000).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

28 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:

	2023 HK\$'000	2022 HK\$'000
Salaries, bonuses, other allowances and benefits in kind	4,748	3,519
Retirement benefit costs – defined contribution plans	36	27
Equity-settled share-based payments	–	1,304
	4,784	4,850

29 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities HK\$'000
At 1 July 2021	679
Financing cash flows	(708)
Non-cash movements:	
New lease entered	1,209
Termination of lease	(181)
Interest expense	51
At 30 June 2022 and 1 July 2022	1,050
Financing cash flows	(670)
Non-cash movements:	
New lease entered	249
Termination of lease	(340)
Interest expense	43
At 30 June 2023	332

Total cash outflow for leases

Amounts included in consolidated statement of cash flows comprise the following:

	2023 HK\$'000	2022 HK\$'000
Within operating cash flows	402	179
Within financing cash flows	670	708
The amounts relate to the lease rental paid	1,072	887

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

30 PRINCIPAL SUBSIDIARIES

The Company'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 Company, and the proportion of ownership interests held equals the voting rights held by the Company. 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 and place of operation	Issued and paid up capital	Ownership interest held by the Group	
					2023 %	2022 %
Directly held						
Vision Perfect Ventures Limited	BVI	Limited liability company	Investment holding in Hong Kong	US\$1,000	100	100
Healthy Luck Holdings Limited	BVI	Limited liability company	Investment holding in Hong Kong	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, demolition works and ground investigation in Hong Kong	HK\$100,000	100	100
Million Sea Development Limited	Hong Kong	Limited liability company	Engaged in business of internal fitting-out, alteration and addition works in Hong Kong	HK\$100	100	100

31 NON-CASH TRANSACTION

During the year, the Group entered into new lease agreements for the use of leased premise for fixed terms of 2 (2022: 2) years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately HK\$249,000 (2022: HK\$1,209,000) and HK\$249,000 (2022: HK\$1,209,000) respectively.

32 CONTINGENT LIABILITIES

As at 30 June 2023, the Group has given guarantees on performance bonds issued by insurance companies of HK\$10,859,000 (2022: HK\$2,552,000) in respect of 2 (2022: 3) 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

For the year ended 30 June 2023

33 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of financial position of the Company

	2023 HK\$'000	2022 HK\$'000
Non-current asset		
Investments in subsidiaries	–	–
Current assets		
Prepayments	–	75
Amount due from a subsidiary	304	1,363
Cash and cash equivalents	22,170	17,951
	22,474	19,389
Current liabilities		
Accruals	450	435
Amount due to a subsidiary	1,806	1,956
	2,256	2,391
Net current assets	20,218	16,998
Net assets	20,218	16,998
Equity		
Share capital	12,000	12,000
Reserves	8,218	4,998
Total equity	20,218	16,998

The statement of financial position of the Company was approved by the Board of Directors on 29 September 2023 and was signed on its behalf by:

Mr. KAM Kin Bun
Director

Ms. WONG Mei Chun
Director

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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

(b) Reserve movement of the Company

	Share premium HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 July 2021	56,686	–	(35,660)	21,026
Recognition of share-based payment expense	–	3,115	–	3,115
Issue of shares upon placing <i>(Note 24)</i>	6,400	–	–	6,400
Transaction cost on issuance of shares upon placing	(264)	–	–	(264)
Loss and total comprehensive loss for the year	–	–	(25,279)	(25,279)
As at 30 June 2022 and 1 July 2022	62,822	3,115	(60,939)	4,998
Profit and total comprehensive income for the year	–	–	3,220	3,220
As at 30 June 2023	62,822	3,115	(57,719)	8,218

34 RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group’s contributions to the MPF Scheme are calculated at 5% (2022: 5%) of the salaries and wages, subject to a cap of monthly relevant income of HK\$30,000 (2022: HK\$30,000) and vest fully with employees when contributed into the MPF Scheme.

35 AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements was approved and authorised for issued by the Board of Directors on 29 September 2023.

Financial Summary

RESULTS

	2023 HK\$'000	For the year ended 30 June			
		2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	37,420	65,331	33,826	61,215	82,775
Cost of services	(40,527)	(57,124)	(31,702)	(58,817)	(65,510)
Gross (loss)/profit	(3,107)	8,207	2,124	2,398	17,265
(Loss)/profit for the year	(23,203)	(8,948)	(7,396)	(5,874)	6,436

ASSETS AND LIABILITIES

	2023 HK\$'000	As at 30 June			
		2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets	741	718	68	1,945	991
Current assets	41,795	68,912	65,427	71,065	81,639
Non-current liabilities	107	324	151	132	281
Current liabilities	5,884	9,558	7,899	8,037	11,634
Net current assets	35,911	59,354	57,528	63,028	70,005
Net assets	36,545	59,748	57,445	64,841	70,715

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

