CHINA SUPPLY CHAIN HOLDINGS LIMITED
中國供應鏈產業集團有限公司

(formerly known as "Yat Sing Holdings Limited 日成控股有限公司")
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 3708

2020
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. MA Huijun (Chairman)
(appointed on 21 November 2019)
Mr. DAI Jian (Chief Executive Officer and re-designated as Vice Chairman on 21 November 2019)
Mr. DAI Ming
Mr. LAI Aizhong (appointed on 21 November 2019)

NON-EXECUTIVE DIRECTOR

Mr. ZHANG Junze (appointed on 20 December 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. GUO Biao
Ms. SONG Dan
Mr. CHAN Foon
Mr. HUANG Shuhui (appointed on 21 November 2019)

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Ms. MA Huijun (Chairman)
(appointed on 21 November 2019)
Mr. DAI Jian (resigned as a chairman on 21 November 2019)
Mr. GUO Biao
Mr. CHAN Foon

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. FUNG Nam Shan

AUTHORIZED REPRESENTATIVES

Mr. DAI Jian
Mr. FUNG Nam Shan

INDEPENDENT AUDITOR

SHINEWING (HK) CPA Limited
(Certified Public Accountant)
Registered Public Interest Entity Auditor

LEGAL ADVISERS

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House
75 Fort Street
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KY1-1108
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Flat A, 12/F
Gold Shine Tower
346–348 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Kowloon West Commercial Centre

China Construction Bank Corporation
Tsim Sha Tsui Commercial Banking Office

China CITIC Bank International Limited
Des Voeux Road Central Branch

COMPANY WEBSITE

www.yat-sing.com.hk

STOCK CODE

03708

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors") of China Supply Chain Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I present our annual report of the Group for the year ended 30 June 2020 (the "Year").

RESULTS

During the Year, the Group's principal businesses consist of building maintenance and renovation services, which were classified as continuing operation.

Continuing operation

For the Year, the Group recorded a revenue of approximately HK$380.5 million, a decrease of approximately HK$35.0 million or 8.4% from HK$415.5 million recorded in the same period in 2019. Consolidated total comprehensive expenses attributable to owners of the Company on continuing operation for the Year increase by approximately HK$1.9 million or 18.8% to HK$12.0 million, compared to the consolidated total comprehensive expenses of previous year (2019: HK$10.1 million).

The basic and diluted earnings per share of the Company (the "Share") for the Year was approximately HK0.26 cents (2019: HK0.24 cents).

As at 30 June 2020, the equity attributable to owners of the Company amounted to HK$149.8 million (2019: HK$161.8 million), representing an decrease of 7.4%.

DEVELOPMENT FOR THE YEAR

For the core business of maintenance works for public sector, the Group has been awarded one contract with notional or estimated contract value of approximately HK$302.2 million by Hong Kong Housing Authority (the "Housing Authority") during the Year. The period of contract is 36 months which will be commenced in October 2020. For renovation services, the Group was awarded three contracts with notional or estimated contract value of approximately HK$11.5 million during the Year. All the new renovation contracts have been commenced during the Year.

PROSPECTS

The outbreak of coronavirus disease 2019 ("COVID-19") has grown into a global pandemic during 2020. The Group is closely monitoring and evaluating its potential impact, and is taking necessary measures to mitigate its impact on the financial position and operating results of the Group. The outbreak of COVID-19 is expected to have a negative impact on the global economic environment which in turn, is likely to affect the Group's performance in 2020 and 2021. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future. Riding on our operating resources and experience, we believe that we can continue to maintain our competitive edge in the industry to capture the market share for building maintenance and renovation contracting service in Hong Kong.

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

CHAIRMAN'S STATEMENT

APPRECIATION

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

MA Huijun
Chairman

Hong Kong, 30 September 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a building maintenance and renovation service provider in Hong Kong. All revenue for the Year was derived from building maintenance and renovation services.

Revenue for the Year was approximately HK$380.5 million, representing a decrease of approximately HK$35.0 million or 8.4% when compared to the same period last year of approximately HK$415.5 million. It was mainly due to the decrease in maintenance segment.

Building maintenance services

As at the date of this annual report, the Group had 3 building maintenance contracts on hand with a notional or estimated contract value of approximately HK$553.3 million. As at 30 June 2019, the Group had 2 building maintenance contracts on hand with a notional or estimated contract value of HK$522.4 million. The Group has not completed any building maintenance contract during the Year.

Renovation services

As at 30 June 2020, the Group had 4 renovation contracts on hand (including contracts in progress and contracts which are yet to commence) with a notional or estimated contract value of approximately HK$125.1 million. As at 30 June 2019, the Group had 8 renovation contracts on hand with a notional or estimated contact value of HK$175.3 million. The Group have completed 7 renovation contracts during the Year.

RECENT DEVELOPMENT

Building maintenance services

During the Year, the Group had been successfully awarded a contract with a notional or estimated contract value of approximately HK$302.2 million, which will be commenced in October 2020.

Renovation services

During the Year, the Group had been successfully awarded 3 contracts with a notional or estimated contract value of approximately HK$11.4 million. All the renovation contracts have commenced during the Year.

FUTURE DEVELOPMENT

Under the outbreak of the COVID-19 in the first half of 2020, there is a decrease in award the contracts in building maintenance projects and renovation services projects. We will focus on identifying opportunities for building maintenance projects and renovation services projects in our future business development, especially in the public sector, which is our core business. For renovation projects, with the growth in consciousness of building refurbishment in Hong Kong, we are confident in attaining new projects from the private sector.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue derived from building maintenance services decreased by approximately HK$123.5 million or 33.1% from approximately HK$373.2 million for the year ended 30 June 2019 to approximately HK$249.7 million during the Year. The significant decrease in revenue during the Year was attributable to the revenue recognised under one of the two existing projects and the existing projects were almost recognised from previous years. Also, the new contract will commence in October 2020 and not during the Year which result in less revenue recognised.

Revenue derived from renovation services increased by approximately HK$88.5 million or 209.2% from approximately HK$42.3 million for the year ended 30 June 2019 to approximately HK$130.8 million during the Year. The increase in revenue was mainly contributed by the full-year impact of the contract of Vocational Training Council, which was commenced in April 2019.

Gross profit and gross profit margin

During the Year, the Group's gross profit amounted to approximately HK$18.1 million (2019: HK$31.0 million) on continuing operation representing a decrease of approximately HK$12.9 million, which is consistent with the decrease in revenue on continuing operation. Gross profit margin for the Year was approximately 4.8% (2019: 7.5%) on continuing operation. The decrease in gross profit margin was caused by the decrease in the gross profit margin for both building maintenance and renovation services.

Gross profit attributable to building maintenance services for the Year amounted to approximately HK$13.3 million (2019: HK$26.7 million (restated)). The Group's gross profit margin for building maintenance services for the Year was approximately 5.3% (2019: 7.2% (restated)). The decline in gross profit margin during the Year was attributable to the current year DTC project with lower gross profit margin than prior year.

Gross profit attributable to renovation services for the Year amounted to approximately HK$4.8 million (2019: HK$4.2 million), representing an increase of approximately HK$0.6 million or 14.3%. Gross profit margin from renovation services during the Year was approximately 3.7%, which was much lower than the year ended 30 June 2019 of approximately 9.9%. The increase in gross profit margin was caused by the increase in contribution from the project for the Vocational Training Council, which has higher gross margin than other renovation projects.

Other income

During the Year, other income increased by approximately HK$1.6 million or 88.8% from approximately HK$1.8 million for the same period in 2019 to approximately HK$3.4 million on continuing operation for the Year, which was mainly due to the additional net income from sales of construction materials of HK$0.3 million, gain on disposal of a subsidiary of HK$0.3 million and government subsidy of HK$0.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

Administrative expenses decreased by approximately HK$5.1 million or 12.4% on continuing operation from approximately HK$41.1 million for the same period in 2019 to approximately HK$36.0 million for the Year. The decrease was caused by the decrease in the operating costs of the Company, including but not limited to, the decrease in staff cost, office rental charge, the professional and other related fees.

Finance costs

Finance costs decreased by approximately HK$166,000 or 66.1% on continuing operation from approximately HK$251,000 for the same period in 2019 to approximately HK$85,000 for the Year on continuing operation, which was mainly comprised the bank borrowings and obligations under finance leases.

Income tax expenses

The effective tax rates were approximately 0.3% and -8.7% on continuing operation for the Year and the same period in 2019, respectively. The significant decrease for the Year was mainly due to the significant decrease on the gross profit on building maintenance for the Year.

Loss for the Year

On continuing operation, the Group recorded loss for the Year by approximately HK$5.2 million or 55.9% from approximately loss on HK$9.3 million for the same period in 2019 to approximately loss on HK$14.5 million for the Year, which was mainly comprised the substantial loss in building maintenance services.

Liquidity, financial resources and capital structure

The Group generally finances its operation through cash from operations, bank borrowings and finance leases. As at 30 June 2020, the Group had total cash and bank balances of approximately HK$37.1 million (30 June 2019: HK$48.2 million). There were no finance leases and bank borrowings in the Group as at 30 June 2020 (30 June 2019: HK$0.7 million and HK$2.1 million respectively). All the cash and bank balances was denominated in Hong Kong dollar as at 30 June 2020. As at 30 June 2020, the share capital and equity attributable to owners of the Company amounted to approximately HK$11.2 million and HK$149.8 million respectively (30 June 2019: HK$11.2 million and HK$161.8 million respectively).

Foreign exchange risk

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were denominated in Hong Kong dollar. With the insignificant portion of monetary assets denominated in foreign currencies, the Group did not engage in the any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Year.

Gearing ratio

Gearing ratio is calculated based on the total debts divided by the total equity. The gearing ratio was approximately 0.2% and 1.8% as at 30 June 2020 and 30 June 2019, respectively. The decrease in gearing ratio is due to the significant decrease of the obligations under finance leases and bank borrowings during the Year.

Charge over assets of the Group

As at 30 June 2020, the Group had pledged bank deposits of approximately HK$1.4 million (30 June 2019: HK$1.4 million) to a bank to secure bank facilities and performance guarantee in respect of a renovation project issued by the Group and is expected to be recovered in its normal operating cycle. As at 30 June 2020, the Group had no motor vehicle held under finance lease (30 June 2019: HK$1.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

(a) Contingent liabilities in respect of legal claims

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

(b) Guarantee issued

At the end of each reporting year, the Group had provided guarantees to bank in respect of the following:

	30 June 2020 HK$'000	30 June 2019 HK$'000
Performance bonds in favor of its clients	**1,250**	2,822

As at 30 June 2020, HK$1,250,000 (2019: HK$2,822,000) of performance bonds were given by a bank in favour of some of the Group's customers as security for the due performance and observance of the Group's obligations under the service contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the bank to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work for the relevant customers.

Save as disclosed above, the Group had no material contingent liabilities as at 30 June 2020 (30 June 2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and remuneration policies

As at 30 June 2020, the Group had approximately 93 employees (30 June 2019: 95). The staff related costs included salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages were subject to review on a regular basis. The emoluments of the Directors and senior management have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Events after reporting period

On 25 August 2020, the Company received a winding-up petition (the "Petition") filed by a creditor (the "Petitioner") against the Company in the Court of First Instance of the High Court of the HKSAR (the "High Court"). The Petitioner alleged that the Company is indebted to the Petitioner in the sum of approximately HK$407,000, which arose from services rendered by it to the Company for the period from 13 March 2019 to 15 April 2020.

The first hearing of the petition will be held on 25 November 2020. At the end of the reporting period, the alleged sum has been accrued by the Group as liabilities. On 30 September 2020, the Group settled the outstanding sum owed to the Petitioner.

Save as disclosed above, there is no important event affecting the Group which have occurred since 30 June 2020.

DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2019: nil).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. MA Huijun, aged 39, was appointed as the Chairman, an executive Director and the Chairman of the Nomination Committee since 21 November 2019. She was graduated from the advanced seminar on entrepreneurial management innovation as organised by the School of Continuing Education, Tsinghua University in 2016. Ms. Ma currently serves as an executive director and the general manager of Shenzhen Qianhai Huiying Supply Chain Services Co., Ltd. (深圳前海惠盈供應鏈服務有限公司) and Shenzhen Daxing Huashangshi Business Development Co., Ltd. (深圳大興華商實業務發展有限公司), respectively. Ms. Ma participated in the overall planning, development and operation of a number of large-scale textile companies and apparel companies. She has accumulated more than 21 years of experience in the textile and apparel industry and has organised and participated in cross-border and cross-industry supply chain business exchanges for many times.

Mr. DAI Jian, aged 33, was appointed as the Chairman, an executive Director, the Chief Executive Officer and the chairman of the nomination committee on 14 January 2017. He resigned as the chairman of the nomination committee and has been redesignated as the Vice Chairman since 21 November 2019. He is a controlling shareholder of the Company. He holds a bachelor's degree in finance from The Great Wall University Beijing, the PRC. He has been an executive director and general manager of 河口縣錦鑫礦業有限公司 (transliterated as Hekou Jinxin Mining Limited Company) since September 2016. Currently, he is also a deputy manager of the department of research and development of 江陰市友佳珠光雲母有限公司 (transliterated as Jiangyin Youjia Pearlescent Mica Co. Ltd., "Jiangyin Youjia") since December 2013. Jiangyin Youjia was established in the PRC in 2003 and is a subsidiary of China Crystal New Material Holdings Co., Ltd. (中國晶體新材料控股有限公司, "China Crystal"), a company incorporated in the Cayman Islands with limited liability and listed in the trading board of stock exchange in South Korea since 28 January 2016 (KOSDAQ stock code: 900250).

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

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

Mr. DAI Ming, aged 54, was appointed as an executive Director on 3 August 2017. He graduated from 上海市應用技術學院 (transliterated as Shanghai Institute of Technology), the PRC, in fine chemicals (精細化工專業). He has been a vice president of Jiangyin Youjia since February 2016.

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

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LAI Aizhong, aged 54, was appointed as an executive Director on 21 November 2019. Mr. Lai was appointed as an executive Director, Chairman of the Board and the Chairman of the nomination committee of the Company during the period from 3 March 2016 to 14 January 2017. He was graduated from the Beijing Technological College (北京技術研修學院) and obtained the EMBA in Tsinghua University. Mr. Lai has extensive experience in corporate management, merger and acquisition and corporate taxation. He is currently the executive director of Shenzhen Fully Investment Administration Co., Ltd. (深圳市富來投資管理有限公司), the chairman of the board of directors of Shenzhen Bosum Asset Management Limited (深圳市博商資產管理有限公司, "Shenzhen Bosum"), the chairman of the board of directors of China Bosum Asset Management Limited (Hong Kong) (中國博商資產管理有限公司（香港）), the President of Tsinghua University in Shenzhen Bosum Association Industry Association (深圳清華大學博商同學會行業協會), the General Manager of Tsinghua University in Shenzhen Bo Business Partnership Fund (深圳市清華大學博商基金), the Guangdong Region Managing Partner of Zhejiang Changsheng Venture Capital Partnership (浙江常晟創業投資合夥企業), the director of Guangzhou Aodelin Electronics Co., Ltd. (廣州市澳鍀林電子有限公司), and the director of Zhuzhou Seed Cemented Carbide Technology Co., Ltd. (株洲西迪硬質合金科技有限公司).

NON-EXECUTIVE DIRECTOR

Mr. ZHANG Junze, aged 49, was appointed as a non-executive Director on 20 December 2019. He was graduated from Yat-sen University, Guangzhou in 1996. Mr. Zhang has been appointed as executive director of China Huiying United Supply Chain Group Co., Limited (中國惠盈聯合供應鏈集團有限公司) since January 2016. Mr. Zhang was the general manager of Puning Fageer Clothing Factory Company Limited (普寧市發格爾服飾有限公司) responsible for the overall operation of the factory during the period from 1998 to 2016. Mr. Zhang is currently a member of the Shenzhen Chaoshan chamber of commerce (深圳潮汕商會理事) and the Honorary chairman of Shenzhen Longgang District private enterprise chamber of commerce (深圳市龍崗區民營企業商會名譽會長).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. SONG Dan, aged 36, was appointed as an independent non-executive Director and a member of the audit committee on 3 March 2016, and a member of the remuneration committee on 14 January 2017. She graduated from the Xiangtan University, Xiangtan City, Hunan Province, the PRC. She is a degree holder in financial management. She is currently the chairman of 深圳市中金小額貸款有限公司 (transliterated as Shenzhenshi Zhongjin Xiaoe Daikuan Company Limited.) Ms. SONG had served as the president of retail banking in China Merchants Bank Company Limited (招商銀行股份有限公司). She has in-depth knowledge on financial and banking businesses.

Mr. GUO Biao, aged 37, was appointed as an independent non-executive Director, the chairman of the remuneration committee, and a member of each of the audit committee and the nomination committee on 3 March 2016. He has a master of business administration in finance from The Chinese University of Hong Kong. He has extensive experience in financial services industries. Mr. GUO is currently the deputy head of research and senior vice president in Shanxi Securities International Financial Holdings Limited (山證國際金融控股有限公司).

Mr. CHAN Foon, aged 47, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of each of the remuneration committee and the nomination committee on 14 January 2017. He holds a bachelor of science degree from the University of Southern California in the United States of America and is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. CHAN has been an independent non-executive director of China Crystal since July 2012. He is currently the financial controller and joint company secretary of Li Heng Chemical Fibre Technologies Limited and a member of the supervisory board of Highsum Chemical Holdings B.V.. He also became an independent non-executive Director of Adtiger Corporations Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1163) since June 2020. He had extensive audit experience with two international audit firms and a listed company in Hong Kong.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. HUANG Shuhui, aged 56, was appointed as an independent non-executive Director on 21 November 2019. He was graduated from Shanghai Customs College with a master's degree. Mr. Huang served as the manager of the management department of the Enterprise Management Office, the director of the Enterprise Office of Jieyang County (揭陽縣企業管理辦公室), the director of the Finance and Trade Office of Jiedong County (揭東縣財貿辦) and concurrently served as the general manager and the secretary of Party Committee of the Foreign Trade Company (對外貿易公司); he was a member of the preparation group of Chaoshan Airport and concurrently served as the legal person and chairman of Chaoshan Airport Industrial Company (潮汕機場實業公司); he served as the legal person and managing director of Jiangxi Zhongziyuan Investment Guarantee Co., Ltd. (江西省中資源投資擔保有限公司).

Mr. Huang currently serves as the president of the Guangdong Chamber of Commerce in Jiangxi Province (江西省廣東商會); and the legal person and managing director of Jiangxi Zhongziyuan Investment Guarantee Co., Ltd. (江西省中資源投資擔保有限公司).

SENIOR MANAGEMENT

Mr. LIU Winson Wing Sun, aged 45, is a director of ABO Group Limited ("ABO") and Sing Fat Construction Company, Limited ("Sing Fat Construction"), both being subsidiaries of the Company. He has over 16 years of experience in building maintenance and renovation contracting service industry in Hong Kong. Mr. LIU is primarily responsible for the overall management, strategic planning and business development of the Group's building maintenance and renovation services. He is also the safety director who is responsible for overseeing all occupational health, safety and environmental matters of the Group. Mr. LIU also acts as one of the construction managers for project execution in respect of some of the Group's projects. Mr. LIU joined the Group as a works coordinator in March 2002 and has been promoted to safety director in November 2005 and construction manager in January 2009. Prior to joining the Group in March 2002, he worked as an assistant valuer at the Associated Surveyors and Auctioneers Limited, a company principally engaged in property valuation and auctioneering services where he was responsible for providing assistance in property valuation and preparation of valuation reports.

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

Mr. KAN Yiu Keung, aged 53, is a director of ABO and Sing Fat Construction and also the project director of the Group who is responsible for overseeing all projects with public sector customers, project management and monitoring the progress of all projects for public sector customers. He has over 33 years of experience in building maintenance and renovation contracting service industry in Hong Kong. Mr. KAN is primarily responsible for general management and day-to-day operation of the Group. Mr. KAN joined the Group as a project director in September 2000. Prior to joining the Group, he worked as a director of Rich China Engineering Limited which is a subcontractor for building maintenance projects from April 1998 to August 2000. From May 1994 to March 1998, he worked as a director of Jetkind Construction Engineering Limited which is also a subcontractor for building maintenance projects. From March 1991 to April 1994, he worked in Shing Kai Engineering Company as a site agent where he was mainly responsible for on-site management of building maintenance projects. From August 1985 to February 1991, he worked as a foreman for Shing Kai Engineering Company. Mr. KAN completed his secondary education and graduated from Sham Shui Po Secondary School in July 1985. He completed Site Safety Management Course and Accident Prevention Course organised by the University of Hong Kong in October and November 2004. Mr. KAN was admitted as a corporate member of the Asia Institute of Building in April 2009.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHAN Lo Kin, aged 68, is a director of ABO and Sing Fat Construction and also the administration director of the Group who is the management representative responsible for managing our management system in accordance with ISO9001:2008 standards and requirements. He has over 39 years of experience in building maintenance and renovation contracting service industry in Hong Kong. Mr. CHAN is primarily responsible for day-to-day operation of the Group. Mr. CHAN joined the Group as a director of Sing Fat Construction in March 1992. Prior to joining the Group, he worked as a director of Chuen Shing Construction Company Limited from February 1991 to August 2007. From October 1978 to January 1991, he worked as a general manager responsible for accounting matters of a sole proprietorship established in Hong Kong, which was principally engaged in metal works engineering. Mr. CHAN graduated from Yuet Wah College in Macao in June 1976.

Mr. CHEUNG Yat Ming, aged 58, is the authorised signatory, technical director and construction engineer of the Group. Mr. CHEUNG joined the Group as a technical director and construction engineer in August 1999. He has over 19 years of experience in construction engineering. Mr. CHEUNG is responsible for overseeing the engineering operations and the technical aspect of various projects. Prior to joining the Group, he worked as an engineer at Wong & Ouyang (Civil-Structural Engineering) Limited where he was responsible for engineering design work for various projects undertaken from September 1994 to December 1998. Mr. CHEUNG graduated from the University of Sheffield in England in July 1994 with a bachelor of engineering. Mr. CHEUNG is a registered professional engineer of the Hong Kong Engineers Registration Board. He is also a member of the Hong Kong Institution of Engineers.

Mr. LEE Yiu Hung, aged 58, is the safety manager of the Group. He has over 19 years of experience in safety management in construction projects. Mr. LEE is responsible for implementing and developing the safety and environmental management system and monitoring compliance of occupational health, safety and environmental compliance. Mr. LEE joined the Group as a safety supervisor in May 2008 and was promoted to safety officer in May 2009. He was further promoted to safety manager in 2013. Prior to joining the Group in May 2008, he worked as a safety supervisor at Jet Consultant Limited where he was responsible for assisting safety officer to implement site safety measures and monitor day-to-day site safety management from August 2002 to May 2008. Mr. LEE graduated from China University of Geoscience, Wuhan in April 2004 with a diploma in safety engineering and completed the Professional Auditing Safety Scheme (Safety Auditor Training Scheme) organised by the Hong Kong Safety Management Association in November 2010. Mr. LEE is a safety officer and safety auditor registered with the Labour Department.

COMPANY SECRETARY

Mr. FUNG Nam Shan, aged 43, was appointed as a company secretary and authorised representative on 3 March 2016. He holds a bachelor's degree in commerce awarded by the University of Newcastle, Australia. Mr. FUNG has become a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2010 and a Certified Practising Accountant of CPA Australia since October 2003.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Currently, Mr. FUNG is an independent non-executive director of Energy International Investment Holdings Limited, a company listed on the Main Board ("Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 0353) and JH Educational Technology INC. (listed on Main Board of the Stock Exchange (stock code: 1935)), the company secretary and authorised representative of each of Seamless Green China (Holdings) Limited, a company listed on GEM of the Stock Exchange ("GEM") (stock code: 8150) and Camsing International Holding Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2662) and company secretary of Thelloy Development Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1546). He was a joint company secretary of Future Bright Mining Holdings Limited, a company listed of the Stock Exchange on the Main Board (stock code: 2212) during the period from 4 November 2015 to 14 October 2016 and the company secretary and authorised representative of China Ocean Group Development Limited (formerly known as "China Ocean Fishing Holdings Limited"), a company listed on GEM of the Stock Exchange (stock code: 8047) during the period from 20 May 2015 to 16 May 2017.

Mr. FUNG was employed as financial controller and company secretary of South China Assets Holdings Limited (formerly known as "South China Land Limited") (currently listed on GEM of the Stock Exchange (stock code: 8155)) from February 2011 to April 2013. Mr. Fung served for a reputable property development group as financial controller from 2009 to 2011. He has worked for PricewaterhouseCoopers as an audit manager for several years which he accumulated experience in auditing, accounting and taxation in Hong Kong and the PRC. He has been one of the marketing committee members of The Hong Kong Youth Hostels Association and also a member of its charity walk organising committee since 2012.

DIRECTORS' REPORT

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

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated on 17 September 2014 in the Cayman Islands. The Company is domiciled in Hong Kong. The principal place of business has been changed to Flat A, 12/F, Gold Shine Tower, 346–348 Queen's Road Central Hong Kong with effect from 10 September 2020.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and its subsidiaries now comprising the Group are principally engaged in building maintenance and renovation service. The activities of its subsidiaries are set out in note 40 of notes to the consolidated financial statements.

CHANGE OF COMPANY NAME

The name of the Company was changed to "Yat Sing Holdings Limited" to "China Supply Chain Holdings Limited" and the dual foreign name in Chinese of the Company has been changed from "日成控股有限公司" to "中國供應鏈產業集團有限公司". The proposed change of company name was passed by the shareholders of the Company at the extraordinary general meeting held on 22 January 2020. The Certificate of Incorporation on Change of Name was issued by the Registry of Companies in Cayman Islands on 3 February 2020. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 19 June 2020 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 41 of this annual report.

The Board does not recommend any payment of a final dividend for the Year (2019: nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company ("AGM") to be held on Friday, 4 December 2020, the register of members of the Company will be closed from Tuesday, 1 December 2020 to Friday, 4 December 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 30 November 2020.

RESERVES AND DISTRIBUTABLE RESERVES

Movements in the reserves of the Group during the Year are set out in consolidated statement of changes in equity on page 45 of this annual report.

Distributable reserves of the Company as at 30 June 2020 amounted to approximately HK$18.7 million (2019: HK$25 million).

DONATIONS

During the Year, the Group made charitable and other donations of HK$13,200 (2019: HK$Nil).

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the notes to consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the Year are set out in note 40 to the notes to the consolidated financial statements.

SHARE CAPITAL

The Company's total issued share capital as at 30 June 2020 was 5,594,000,000 ordinary Shares of HK$0.002 per Share.

Details of movements in the share capital of the Company during the Year are set out in note 28 to the notes to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY

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

EQUITY-LINKED AGREEMENTS

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

SHARE OPTION SCHEME

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

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time. The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders.

The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial shareholders or independent non-executive Directors or any of their respective close associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective close associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Shareholders.

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

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

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

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

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

DIRECTORS' REPORT

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 120 of this annual report.

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

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

DIRECTORS

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

Executive Directors

Ms. MA Huijun (Chairman) (appointed on 21 November 2019)
Mr. DAI Jian (Chief Executive Officer and re-designated as Vice Chairman on 21 November 2019)
Mr. DAI Ming
Mr. LAI Aizhong (appointed on 21 November 2019)

Non-executive Director

Mr. ZHANG Junze (appointed on 20 December 2019)

Independent non-executive Directors

Mr. CHAN Foon
Mr. GUO Biao
Ms. SONG Dan
Mr. HUANG Shuhui (appointed on 21 November 2019)

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

Pursuant to article 112 of the Articles, Mr. ZHANG Junze shall retire by rotation at the AGM and being eligible, has offered himself for re-election at the AGM.

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

DIRECTORS' SERVICE CONTRACTS

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the emoluments of the Directors and five highest paid individuals during the Year are set out in notes 12 and 13 to the notes to consolidated financial statements.

MANAGEMENT CONTRACTS

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and senior management of the Group as at the date of this annual report are set out on pages 10 to 14 of this annual report.

DIRECTORS' REPORT

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

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interest or short positions which they had taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested	Total	Percentage of interest (Note 3)
Mr. DAI Jian	Interest of a controlled corporation (Note 1)	3,268,750,000	3,268,750,000	58.43%
Mr. LAI Aizhong	Interest of a controlled corporation (Note 2)	11,680,000		
	Beneficial owner	17,120,000	28,800,000	0.51%

Notes:

1. These shares are held by Smart Paradise International Limited ("Smart Paradise"). Smart Paradise is owned as to 100% by Mr. DAI Jian and hence Mr. DAI Jian is deemed to be interested in 3,268,750,000 shares held by Smart Paradise under the SFO.

2. These shares are held by Shenzhen Bosum Asset Management Limited* 深圳市博商資產管理有限公司 ("Shenzhen Bosum"). Shenzhen Bosum is owned as to 51% by Mr. LAI Aizhong and hence Mr. LAI Aizhong is deemed to be interested in 11,680,000 shares held by Shenzhen Bosum under the SFO.

3. The approximate percentages were calculated based on 5,594,000,000 shares in issue as at 30 June 2020.

* *for identification only*

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2020, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) have interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company referred to therein:

Name	Capacity/Nature	Number of Shares held/ interested	Percentage of interest (Note)
Smart Paradise	Beneficial owner	3,268,750,000	58.43%

Note: The approximate percentages were calculated based on 5,594,000,000 shares in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other persons who had any interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO.

MAJOR SUBCONTRACTORS AND CUSTOMERS

During the Year, the largest subcontractor accounted for approximately 27.5% (2019: 18.3%) of the Group's total costs of services and the five largest subcontractors accounted for approximately 77.6% (2019: 71.5%) of the Group's total costs of services. The largest customer accounted for approximately 65.6% (2019: 79.4%) of the Group's total revenue and the five largest customers accounted for approximately 98.3% (2019: 99.6%) of the Group's total revenue.

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

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions of the Group are set out in note 38 to the notes to consolidated financial statements and are fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

BUSINESS REVIEW

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

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

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 23 to 35 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

AUDIT COMMITTEE

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

AUDITOR

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

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

On behalf of the Board

Ms. MA Huijun
Chairman

Hong Kong, 30 September 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

Securities Transactions by Directors

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

Securities Transactions by Senior Management and Staff

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Board composition

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

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

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

Board Diversity Policy

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

CORPORATE GOVERNANCE REPORT

As at the date of this annual report, the Board comprises nine Directors. Four of the Directors are INEDs and are independent of the management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of professional background and skills.

Role and function

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

Board meetings

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

During the Year, a total of five Board meetings and two general meetings were held and the attendance records are as follows:

	Meetings attended/Eligible to attend	
Name of Directors	**Board meetings**	**General meetings**
Executive Directors		
Ms. MA Huijun (Chairman) (appointed on 21 November 2019)	3/5	1/2
Mr. DAI Jian (Chief Executive Officer and re-designated as Vice Chairman on 21 November 2019)	5/5	0/2
Mr. DAI Ming	5/5	0/2
Mr. LAI Aizhong (appointed on 21 November 2019)	3/5	2/2
NED		
Mr. ZHANG Junze (appointed on 20 December 2019)	1/5	0/2
INEDs		
Mr. GUO Biao	5/5	2/2
Ms. SONG Dan	5/5	1/2
Mr. CHAN Foon	5/5	2/2
Mr. HUANG Shuhui (appointed on 21 November 2019)	2/5	1/2

CORPORATE GOVERNANCE REPORT

Independent non-executive Directors

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

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

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

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

Directors' training and professional development

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

CORPORATE GOVERNANCE REPORT

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

Name of Directors	Reading materials regarding regulatory update and corporate governance matters	Attending training/ seminars relevant to the Company's business, Listing Rules compliance and risk management
Executive Directors		
Ms. MA Huijun (Chairman) (appointed on 21 November 2019)	√	√
Mr. DAI Jian (Chief Executive Officer and re-designated as Vice Chairman on 21 November 2019)	√	√
Mr. DAI Ming	√	√
Mr. LAI Aizhong (appointed on 21 November 2019)	√	√
NED		
Mr. ZHANG Junze (appointed on 20 December 2019)	√	√
INEDs		
Mr. GUO Biao	√	√
Ms. SONG Dan	√	√
Mr. CHAN Foon	√	√
Mr. HUANG Shuhui (appointed on 21 November 2019)	√	√

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Mr. Dai Jian was served as the chairman of the Board and chief executive officer of the Company before 21 November 2019. This dual roles constitutes a deviation from Code Provision A.2.1 of the CG Code. The Board was of the view that vesting both roles of Mr. Dai Jian would allow more effective planning and execution of business strategies. As all major decisions would be made in consultation with members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of porters within the Board.

On 21 November 2019, Ms. Ma Huijun has been appointed as an executive Director and the chairman of the Board and Mr. Dai Jian has been re-designated as the vice chairman of the Board and remained as an executive Director and the Chief Executive Officer. The Company has therefore complied with Code Provision A.2.1 of the CG Code since 21 November 2019.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board adopted a nomination policy (the "Nomination Policy") which sets out the procedures and criteria to be used by the Nomination Committee for the selection, appointment and re-appointment of directors. The Nomination Committee has from time to time identified individuals suitably qualified to become Board members, having due regard to the Nomination Policy and the Board Diversity Policy and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of the Group.

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

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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

Audit Committee

The Audit Committee was established on 17 December 2014 in compliance with Rule 3.21 of the Listing Rules with written terms of reference as revised by the Board with effect from 28 January 2019 in compliance with the CG Code. The Audit Committee consists of Mr. GUO Biao, Ms. SONG Dan and Mr. CHAN Foon. Currently, Mr. CHAN Foon is the chairman of the Audit Committee.

The principal responsibilities of the Audit Committee include:

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

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

During the Year, the Audit Committee held two meetings (i) to review the Group's financial results for the year ended 30 June 2020; (ii) to review the interim results for the period ended 31 December 2019; (iii) to oversee the audit process; (iv) to review the risk management and internal control system; (v) to recommend the re-appointment of independent auditor; and (vi) to make recommendation to Board to adopt a risk management policy. Subsequent to the end of the Year and up to the date of this annual report, a meeting of the Audit Committee was held on 30 September 2020 to review the Group's financial results for the Year for submission to the Board for approval, review internal control and risk management system of the Group and make recommendation on the re-appointment of the independent auditor.

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

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

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

CORPORATE GOVERNANCE REPORT

Nomination Committee

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

The principal responsibilities of the Nomination Committee include:

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

During the Year, three meetings of the Nomination Committee were held (i) to review the structure, size and composition of the Board; (ii) to assess the independence of the INEDs; (iii) to make recommendation to the Board on the proposal of re-appointment of Directors; and (iv) to make recommendation to the Board on the proposal of appointment of Directors. Subsequent to the Year and up to the date of this annual report, a meeting of the Nomination Committee was held on 30 September 2020 to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and the board diversity policy, assess the independence of the INEDs and make recommendations to the Board on the proposal of re-appointment of Directors at the forthcoming AGM.

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

Name of Directors	Meeting attended/ Eligible to attend
Ms. MA Huijun (appointed as a chairman on 21 November 2019)	1/3
Mr. CHAN Foon	3/3
Mr. GUO Biao	3/3
Mr. DAI Jian (resigned as a chairman on 21 November 2019)	2/3

Remuneration Committee

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

The principal responsibilities of the Remuneration Committee include:

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

During the Year, three meetings of the Remuneration Committee were held (i) to review the remuneration of the Directors and senior management and (ii) to make recommendation to the Board on the proposal of the remuneration package for appointment of directors. Subsequent to the Year and up to the date of this annual report, a meeting of the Remuneration Committee was held on 30 September 2020 to review the performance and remuneration packages of the Directors.

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

Name of Directors	Meetings attended/ Eligible to attend
Mr. GUO Biao (Chairman)	3/3
Mr. CHAN Foon	3/3
Ms. SONG Dan	3/3

Details of the Directors' remuneration are set out in note 12 to the notes to the consolidated financial statements.

During the Year, the remuneration of the senior management is listed below by band:

	Number of individuals
HK$1 to HK$1,000,000	5
HK$1,000,001 to HK$1,500,000	0
HK$2,000,001 to HK$2,500,000	0

CORPORATE GOVERNANCE FUNCTION

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

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

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

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The Audit Committee is responsible for considering the appointment and re-election of the Company's external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to our Company. During the Year, the Group is required to pay to the external auditor, SHINEWING (HK) CPA Limited, for the audit service in relation to the audit of annual consolidated financial statements for the Year of approximately HK$1.3 million and non-audit services provided to the Group in respective to the agreed upon procedures for interim review of condensed consolidated financial statements for the period ended 31 December 2019 of approximately HK$0.2 million respectively, totaling HK$1.5 million in aggregate.

COMPANY SECRETARY

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy") during the Year. The Board is committed to maintaining sufficient resources and flexibility to meet the Company's financial and operational requirements. At the same time, the Board continually seeks ways to enhance shareholders' value to ensure sustainable long-term yields for shareholders. The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

– the Articles;
– the applicable restrictions and requirements under the laws of the Cayman Islands;
– any banking or other funding covenants by which the Company is bound from time to time;
– the investments and operating requirements of the Company; and
– any other factors that have material impact on the Company.

SHAREHOLDERS' RIGHTS

General meeting

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Procedures for Shareholders to put forward proposals at Shareholders' meetings

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal (the "Proposal") together his/her detailed contact information at the Company's principal place of business in Hong Kong at Flat A, 12/F, Gold Shine Tower, 346–348 Queen's Road Central, Hong Kong in the same manner as set out above.

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

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

– At least 21 days' notice in writing if the Proposal requires approval by way of a special resolution of the Company in an EGM or resolution of the Company in an AGM.
– At least 14 days' notice in writing if the Proposal requires approval in any other EGM.

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

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

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

Procedures for Shareholders to direct enquiries to the Company

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

Address:	Flat A, 12/F, Gold Shine Tower, 346–348 Queen's Road Central, Hong Kong
Email:	info@yat-sing.com.hk
Tel:	(852) 2386 0066
Fax:	(852) 2563 0813

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

Branch Share Registrar and Transfer Office in Hong Kong
Union Registrars Limited

Address:	Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
Tel:	(852) 2849 3399
Fax:	(852) 2849 3319

CONSTITUTIONAL DOCUMENTS

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

INDEPENDENT AUDITOR'S REPORT

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

TO THE MEMBERS OF CHINA SUPPLY CHAIN HOLDINGS LIMITED
中國供應鏈產業集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Supply Chain Holdings Limited (formerly known as "Yat Sing Holdings Limited") (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 41 to 119, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

LOSS ALLOWANCE OF TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES, CONTRACT ASSETS, LOAN AND INTEREST RECEIVABLE AND CONSIDERATION RECEIVABLE

Refer to notes 19, 20 and 21 to the consolidated financial statements and the accounting policies on pages 64 to 68.

The key audit matter

As at 30 June 2020, the Group had trade receivables, deposits and other receivables, contract assets, loan and interest receivable and consideration receivable of approximately HK$73,918,000, HK$14,476,000, HK$51,880,000, HK$12,088,000 and HK$21,400,000 respectively.

We identified the loss allowance of trade receivables, deposits and other receivables, contract assets, loan and interest receivable and consideration receivable as a key audit matter due to the significance to the Group's consolidated financial statements and involvement of subjective and management estimates based on historical default rates, past due status and ageing information of the individual debtors, probability of default and loss given default with reference to the historical delinquency ratio and the forward-looking information in evaluating the expected credit losses ("ECL") of the Group's trade receivables, deposits and other receivables, contract assets, loan and interest receivable and consideration receivable.

How the matter was addressed in our audit

Our audit procedures were designed to obtain and review the management's process of determination of historical loss rates and forward looking information in assessing the loss allowance and challenge the reasonableness of the methods and assumptions used to determine the loss allowance of trade receivables, deposits and other receivables, contract assets, loan and interest receivable and consideration receivable.

We have assessed the ECL methodology made by the Group and the information used by management to determine the ECL, on either a collective basis or an individual basis, as at 30 June 2020.

We have assessed the reasonableness of management's estimation by evaluating the historical loss rates, current economic conditions, value of collaterals, subsequent settlement and forward-looking information and examining the actual losses recorded and assessing whether there was an indication of management bias when recognising ECL.

INDEPENDENT AUDITOR'S REPORT

REVENUE RECOGNITION IN RESPECT OF BUILDING MAINTENANCE AND RENOVATION SERVICES

Refer to note 5 to the consolidated financial statements and the accounting policies on pages 54 to 55.

The key audit matter	How the matter was addressed in our audit
During the year ended 30 June 2020, the Group has recognised revenue from building maintenance and renovation services of approximately HK$380,505,000. Such revenue was recognised over time based on the progress measured using an output method – satisfaction of that performance obligation of the building maintenance services and renovation services which involves significant management judgment and estimation of the value of each work order. We identified revenue as a key audit matter as the actual value of completed work orders and contract maybe higher or lower than the estimates and will affect the Group's revenue recognised.	Our audit procedures were designed to review the management's estimation on the revenue recognition under the requirements of HKFRS 15 by inspecting a sample of representative contracts with customers. We have obtained understanding on revenue recognition policy and on the design, and implementation and operating effectiveness of respective internal control activities. We have assessed whether the revenue recognised was reasonable through inspection of certificates or work orders issued by customers before finalisation of the contracts. We arranged confirmations, on a sample basis, to confirm the progress billing amount and percentage of completion of individual projects.

OTHER INFORMATION

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
30 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Continuing operations			
Revenue	5	380,505	415,529
Cost of sales		(362,382)	(384,558)
Gross profit		18,123	30,971
Other income	7	3,373	1,839
Administrative expenses		(35,958)	(41,070)
Finance costs	8	(85)	(251)
Loss before taxation		(14,547)	(8,511)
Income tax credit (expenses)	9	38	(742)
Loss for the year from continuing operations	11	(14,509)	(9,253)
Discontinued operation			
Loss for the year from discontinued operation	10	–	(9,185)
Loss for the year		(14,509)	(18,438)
Other comprehensive income (expense) for the year			
Items that will not be reclassified subsequently to profit or loss:			
Gain on disposal of financial assets at fair value through other comprehensive income ("FVTOCI")		2,541	–
Fair value changes on financial assets at FVTOCI		–	(793)
		2,541	(793)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating a foreign operation		–	(2,189)
Release of translation reserve upon disposal of a subsidiary		–	4,627
		–	2,438
Other comprehensive income for the year		2,541	1,645
Total comprehensive expenses for the year		(11,968)	(16,793)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company			
– Continuing operations		**(14,493)**	(9,270)
– Discontinued operation		**–**	(4,140)
		(14,493)	(13,410)
Non-controlling interests			
– Continuing operations		**(16)**	17
– Discontinued operation		**–**	(5,045)
		(16)	(5,028)
		(14,509)	(18,438)
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company			
– Continuing operations		**(11,952)**	(10,063)
– Discontinued operation		**–**	(2,799)
		(11,952)	(12,862)
Non-controlling interests			
– Continuing operations		**(16)**	17
– Discontinued operation		**–**	(3,948)
		(16)	(3,931)
		(11,968)	(16,793)
		2020	2019
Basic and diluted loss per share (HK cents)	15		
Continuing and discontinued operations		**(0.26)**	(0.24)
Continuing operations		**(0.26)**	(0.17)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	16	3,845	4,802
Right-of-use assets	17	290	–
Financial assets at FVTOCI	18	–	1,949
Rental deposit	19	150	178
Loan and interest receivable	20	–	9,965
		4,285	16,894
Current assets			
Tax recoverable		1,669	433
Consideration receivable	19	21,400	21,400
Trade and other receivables	19	90,843	59,919
Loan and interest receivable	20	12,088	–
Contract assets	21	51,880	72,836
Time deposits with original maturity over three months	22	31,500	10,000
Pledged bank deposits	22	1,435	1,411
Bank balances and cash	22	37,076	48,172
		247,891	214,171
Current liabilities			
Trade and other payables	23	100,555	64,676
Lease liabilities	17	276	–
Obligations under finance leases – due within one year	24	–	696
Bank borrowings	25	–	2,146
Tax payable		–	267
		100,831	67,785
Net current assets		147,060	146,386
Total assets less current liabilities		151,345	163,280

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Long service payment obligations	26	499	432
Deferred tax liabilities	27	422	456
		921	888
Net assets		150,424	162,392
Capital and reserves			
Share capital	28	11,189	11,189
Reserves		138,616	150,568
Equity attributable to:			
Owners of the Company		149,805	161,757
Non-controlling interests		619	635
Total equity		150,424	162,392

The consolidated financial statements on pages 41 to 119 were approved and authorised for issue by the board of directors on 30 September 2020 and are signed on its behalf by:

DAI Jian
Director

DAI Ming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2018	11,189	77,790	(480)	768	(1,341)	86,693	174,619	29,503	204,122
Loss for the year	–	–	–	–	–	(13,410)	(13,410)	(5,028)	(18,438)
Other comprehensive (expense) income for the year									
Exchange differences arising on translating a foreign operation	–	–	–	–	(1,204)	–	(1,204)	(985)	(2,189)
Release of translation reserve upon disposal of a subsidiary	–	–	–	–	2,545	–	2,545	2,082	4,627
Fair value changes on financial assets at FVTOCI	–	–	–	(793)	–	–	(793)	–	(793)
Total comprehensive (expense) income for the year	–	–	–	(793)	1,341	(13,410)	(12,862)	(3,931)	(16,793)
Disposal of subsidiaries (Note 37)	–	–	–	–	–	–	–	(24,937)	(24,937)
At 30 June 2019 and 1 July 2019	11,189	77,790	(480)	(25)	–	73,283	161,757	635	162,392
Loss for the year	–	–	–	–	–	(14,493)	(14,493)	(16)	(14,509)
Other comprehensive income for the year									
Gain on disposal of financial assets at FVTOCI	–	–	–	2,541	–	–	2,541	–	2,541
Total comprehensive income (expense) for the year	–	–	–	2,541	–	(14,493)	(11,952)	(16)	(11,968)
Release of investment revaluation reserve upon disposal of financial assets at FVTOCI	–	–	–	(2,516)	–	2,516	–	–	–
At 30 June 2020	11,189	77,790	(480)	–	–	61,306	149,805	619	150,424

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Loss before taxation			
– Continuing operations		(14,547)	(8,511)
– Discontinued operation	10	–	(9,185)
Adjustments for:			
Depreciation of property, plant and equipment		652	3,049
Depreciation of right-of-use asset		1,685	–
Finance costs		85	5,337
Amortisation of prepaid lease payments		–	1,092
Provision for long service payment		67	106
Net gain on disposal of property, plant and equipment		(7)	(120)
Loan interest income		(1,187)	(1,215)
Bank interest income		(534)	(445)
Government subsidy		(692)	–
(Gain) loss on disposal of subsidiaries	37	(325)	419
Impairment loss on trade receivables		1,249	–
Impairment loss on other receivables		964	–
Impairment on goodwill		–	10,234
Gain on fair value change on contingent payable		–	(12,770)
Operating cash flows before movements in working capital		(12,590)	(12,009)
Increase in inventories		–	(7,269)
Decrease in contract assets		20,956	29,415
(Increase) decrease in trade and other receivables		(33,109)	27,284
Increase (decrease) in trade and other payables		34,655	(44,434)
Cash generated from (used in) operations		9,912	(7,013)
Hong Kong Profits Tax paid		(1,232)	(3,676)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		8,680	(10,689)
INVESTING ACTIVITIES			
Placement of time deposits with original maturity over three months		(146,500)	–
Withdrawal of time deposits with original maturity over three months		125,000	10,000
Placement of pledged bank deposits		(24)	–
Withdrawal of pledged bank deposits		–	2,316
Net cash (outflow) inflow arising on disposal of subsidiaries	37	(2)	21,381
Purchase of property, plant and equipment		–	(181)
Proceeds from disposal of property, plant and equipment		170	1,605
Proceeds from disposal of financial assets at FVTOCI		4,490	–
Bank interest received		534	445
Repayment from a loan receivable		9,645	9,250
Advancement of a loan receivable		(10,581)	(18,000)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(17,268)	26,816

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(2,146)**	(8,386)
Repayment of leases liabilities		**(2,253)**	–
Interest paid		**(85)**	(5,337)
Government subsidy received		**1,976**	–
Repayment of obligations under finance leases		**–**	(2,023)
NET CASH USED IN FINANCING ACTIVITIES		**(2,508)**	(15,746)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(11,096)**	381
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**48,172**	46,143
Effect of foreign exchange rate changes		**–**	1,648
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**37,076**	48,172

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. GENERAL

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

Pursuant to a special resolution passed by the shareholders of the Company on 22 January 2020, the issue of the Certificate of Incorporation on Change of Name by the Registry of Companies in the Cayman Islands on 3 February 2020 and the issue of the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company by the Registrar of Companies in Hong Kong on 19 June 2020 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the name of the Company was changed from "Yat Sing Holdings Limited" to "China Supply Chain Holdings Limited" and the dual foreign name in Chinese of the Company from "日成控股有限公司" to "中國供應鏈產業集團有限公司".

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in Note 40.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is also the Company's functional currency.

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

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Impact on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied HKFRS 16 *Leases* modified retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 July 2019. Comparative information has not been restated and continues to be reported under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The lessee's incremental borrowing rates applied to the lease liabilities on 1 July 2019 were ranged from 3.60% to 6.65%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability and are separately presented on the consolidated statement of financial position.

The Group leases a number of items of motor vehicles. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under HKAS 17 immediately before that date. Accordingly, the obligations under finance leases are now included within lease liabilities, and the carrying amount of the corresponding lease asset is identified as a right-of-use asset.

There is no impact on the opening balance of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

Impact on adoption of HKFRS 16 Leases (Continued)

The Group as lessee (Continued)

The following table summarises the impact of transition to HKFRS 16 at 1 July 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 30 June 2019 HK$'000	Impact on adoption of HKFRS 16 HK$'000	Carrying amount as restated at 1 July 2019 HK$'000
Property, plant and equipment	(a)	4,802	(1,751)	3,051
Right-of-use assets	(a), (b)	–	3,584	3,584
Lease liabilities	(a), (b)	–	(2,529)	(2,529)
Obligations under finance leases	(a)	(696)	696	–

Notes:

(a) The obligations under finance leases of approximately HK$696,000 previously separately presented as obligations under finance leases at 30 June 2019 are now included within lease liabilities under HKFRS 16. The carrying amount of the related assets under finance leases amounting to approximately HK$1,751,000 is reclassified from property, plant and equipment to right-of-use assets; and

(b) As at 1 July 2019, right-of-use assets in respect of lease arrangement for buildings were measured at an amount equal to the lease liability of approximately HK$1,833,000.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. The capital element and interest element are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

Impact on adoption of HKFRS 16 Leases (Continued)

The Group as lessee (Continued)

Differences between operating lease commitments as at 30 June 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 July 2019 are as follow:

	HK$'000
Operating lease commitment disclosed as at 30 June 2019	2,074
Less: Short-term leases	(20)
	2,054
Discounted using the incremental borrowing rate at 1 July 2019	1,833
Add: Finance lease liabilities recognised under HKAS 17 as at 30 June 2019	696
Lease liabilities recognised as at 1 July 2019	2,529
Analysed as	
– Non-current portion	40
– Current portion	2,489
	2,529

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
Amendments to HKAS 16	Property Plant and Equipment: Proceeds before Intended Use[6]
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions[5]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[7]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning or after 1 June 2020
6 Effective for annual periods beginning on or after 1 January 2022
7 Effective for annual periods beginning on or after 1 January 2023

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the ended of each reporting period.

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

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

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties.

Contract assets and contract liabilities

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. 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.

The Group recognises revenue from the following major sources:

- provision of building maintenance services and renovation services
- sales of visible light photocatalysis products

Revenue from provision of building maintenance services and renovation services are recognised over time.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Revenue from sales of visible light photocatalysis products is recognised at a point when the control of the goods is transferred to the customers (generally on delivery of products).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Accounting policy applicable on or after 1 July 2019

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

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

Lease liabilities

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

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting policy applicable on or after 1 July 2019 (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Lease modification

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting policy applicable prior to 1 July 2019

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

The Group as lessor

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

The Group as lessee

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

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

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

Foreign currencies

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

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

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

On the disposal of a foreign operation (i.e. a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss and other comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

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

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

Government grants that are receivable as compensation for expenses or losses already incurred 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.

Retirement benefits cost and termination benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term employee benefits

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxation loss differs from loss before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences 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.

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

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Prior to the adoption of HKFRS 16, assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and bank deposits with an original maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and deposits as defined above.

Investments in subsidiaries

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

Financial instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and FVTOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method (Continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Other income" line item (Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained profits.

Impairment of financial assets

The Group recognised a loss allowance for ECL on financial assets that are measured at amortised cost 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.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9 and recognises lifetime ECL that results from all possible default events over the expected life of these financial instruments. In estimating the ECL, the Group determines the ECL either collectively using a provision matrix by reference to past default experience of the debtor or assessed on an individual basis based on the credit risk characteristic and the ageing of trade receivables and contract asset. The Group takes into account the Group's historical credit loss experience, current economic conditions, value of collaterals, subsequent settlement, adjusted for factors that are specific to the debtors and an assessment of both the current as well as the forecast conditions at the reporting date, including time value of money where appropriate.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- 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 instrument 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the aforegoing, 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) it has a low risk of default, (ii) the borrower 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 fulfill 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.

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 debtor; 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).

Taking into account of the business cycle, industry practice and historical experience, the Group considers that default has occurred when a financial asset is more than 2 years past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings 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 ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

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 by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating units ("CGUs") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

Critical judgement in applying the Group's accounting policies

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

Contingent liabilities in respect of litigation claims

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

Key sources of estimation uncertainty

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

Revenue recognition in respect of building maintenance and renovation services

Income is recognised based on management's estimation of the value of each work order. Thereafter, customers would undertake detailed assessment of all completed work orders before finalisation of the contracts which normally last for three years. Such revenue was recognised over time based on the progress measured using an output method – satisfaction of that performance obligation of the building maintenance services and renovation services which involves significant management judgment and estimation of the value of each work order. During the assessment process, the actual value of completed work orders and contract maybe higher or lower than the estimates and will affect the Group's revenue recognised.

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

Key sources of estimation uncertainty (Continued)

Loss allowance of trade receivables, deposits and other receivables, contract assets, loan and interest receivable and consideration receivable

The Group determines the ECL on an individual basis for each debtor. The Group estimated the ECL based on historical credit loss experience and forward-looking information and an assessment of both the current as well as the forecast conditions at the reporting date, including time value of money where appropriate. At each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the debtor's historical repayment history and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional loss allowance to the consolidated statement of profit or loss and other comprehensive income.

The information about the ECL on the Group's trade receivables, deposits and other receivables, contract assets, loan and interest receivable and consideration receivable are disclosed in notes 19, 19, 21, 20 and 19 respectively.

As at 30 June 2020, the carrying amount of trade receivables is approximately HK$73,918,000 (2019: HK$55,535,000), net of loss allowance of approximately HK$1,249,000 (2019: nil).

As at 30 June 2020, the carrying amount of contract assets is approximately HK$51,880,000 (2019: HK$72,836,000), no loss allowance has been provided at the end of the reporting period (2019: nil).

As at 30 June 2020, the carrying amount of deposits and other receivable is approximately HK$14,476,000 (2019: HK$1,517,000), net of loss allowance of approximately HK$964,000 (2019: nil).

As at 30 June 2020, the carrying amounts of loan and interest receivable and consideration receivable are approximately HK$12,088,000 (2019: HK$9,965,000) and HK$21,400,000 (2019: HK$21,400,000) respectively, no loss allowance has been provided at the end of the reporting period (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

5. REVENUE

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

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Disaggregated of revenue by services lines:		
– Building maintenance services	249,674	373,190
– Renovation services	130,831	42,339
	380,505	415,529

Disaggregation of revenue from contracts with customers by timing of recognition:

	2020 HK$'000	2019 HK$'000
Timing of revenue recognition		
Over time and total revenue from contracts with customers	380,505	415,529

Transaction price allocated to the remaining performance obligations

As at 30 June 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) is approximately HK$378,901,000 (2019: HK$402,901,000). The amount represents revenue expected to be recognised in the future from construction contract. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 12-24 months (2019: 12-24 months).

The above amount does not include variable consideration which is constrained.

6. SEGMENT INFORMATION

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

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

(i) Building maintenance; and

(ii) Renovation

An operating segment regarding the sales of visible light photocatalysis products was discontinued in the prior year. The segment information reported on the next pages does not include any amounts for this discontinued operation, which are described in more detail in note 10.

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 30 June 2020

Continuing operations	**Building maintenance HK$'000**	**Renovation HK$'000**	**Total HK$'000**
Segment revenue	**249,674**	**130,831**	**380,505**
Segment profit	**10,667**	**4,809**	**15,476**
Unallocated corporate income			**3,373**
Central administration costs			**(33,311)**
Finance costs			**(85)**
Loss before taxation			**(14,547)**

For the year ended 30 June 2019

Continuing operations	Building maintenance HK$'000	Renovation HK$'000	Total HK$'000
Segment revenue	373,190	42,339	415,529
Segment profit	26,742	4,229	30,971
Unallocated corporate income			1,839
Central administration costs			(41,070)
Finance costs			(251)
Loss before taxation			(8,511)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of unallocated corporate income, central administration costs, impairment loss on other receivables and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

There were no inter-segment sales between different business segments for the years ended 30 June 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2020 HK$'000	2019 HK$'000
Segment assets		
Continuing operations		
Building maintenance	60,368	90,325
Renovation	69,944	43,278
Total segment assets	130,312	133,603
Assets relating to discontinued operation	–	21,400
Unallocated corporate assets	121,864	76,062
Total assets	252,176	231,065
Segment liabilities		
Continuing operations		
Building maintenance	39,449	49,510
Renovation	51,456	7,934
Total segment liabilities	90,905	57,444
Unallocated corporate liabilities	10,847	11,229
Total liabilities	101,752	68,673

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

- all assets are allocated to operating segments other than certain property, plant and equipment, certain right-of-use assets, financial assets at FVTOCI, rental deposit, certain other receivables, loan and interest receivable, consideration receivable, pledged bank deposits, time deposits with original maturity over three months, bank balances and cash and tax recoverable as these assets are managed on a group basis.

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

In measuring the Group's segment assets and liabilities, lease liabilities of approximately HK$40,000 (2019: obligations under finance leases of approximately HK$509,000) were allocated to building maintenance segment. However, the relevant interests on lease liabilities of approximately HK$28,000 (2019: interests on obligations under finance leases of approximately HK$36,000) were not included in the measurement of segment results. Should the interests on lease liabilities (2019: interests on obligations under finance leases) be included in the measurement of segment profit, the segment profit of the building maintenance segment for the year ended 30 June 2020 would be approximately HK$10,639,000 (2019: HK$26,706,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 30 June 2020

Continuing operations	Building maintenance HK$'000	Renovation HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:				
Depreciation of property, plant and equipment	148	–	504	652
Depreciation of right-of-use assets	1,250	–	435	1,685
Impairment loss on trade receivables	1,249	–	–	1,249
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:				
Gain on disposal of property, plant and equipment	(7)	–	–	(7)
Bank interest income	–	–	(534)	(534)
Loan interest income	–	–	(1,187)	(1,187)
Impairment loss on other receivables	–	–	964	964
Finance costs	28	–	57	85
Income tax credit	–	–	(38)	(38)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 30 June 2019

Continuing operations	Building maintenance HK$'000	Renovation HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	1,312	–	–	1,312
Depreciation of property, plant and equipment	537	–	620	1,157
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:				
Net gain on disposal of property, plant and equipment	(222)	–	102	(120)
Bank interest income	–	–	(443)	(443)
Loan interest income	–	–	(1,215)	(1,215)
Finance costs	36	–	215	251
Income tax expenses	–	–	742	742

Geographical information

The Group's revenue from continuing operations from external customers by location of operations and non-current assets by geographical location are all derived and located in Hong Kong (place of domicile) for both years.

Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer A[1]	249,653	329,855

[1] Revenue from building maintenance and renovation services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

7. OTHER INCOME

Continuing operations

	2020 HK$'000	2019 HK$'000
Bank interest income	534	443
Loan interest income	1,187	1,215
Net gain on disposal of property, plant and equipment	7	120
Net income from trading of construction materials (Note i)	328	–
Gain on disposal of a subsidiary (Note 37)	325	–
Government subsidy (Note ii)	692	–
Others	300	61
	3,373	1,839

Note i:

During the year ended 30 June 2020, the amount represented net income from the trading of construction materials of approximately HK$328,000 (2019: nil), represented gross income of approximately HK$19,080,000 (2019: nil) net of gross cost of goods sold of approximately HK$18,752,000 (2019: nil).

Note ii:

During the year ended 30 June 2020, the amounts represented cash subsidies of approximately HK$642,000 and HK$50,000 from the Employment Support Scheme ("ESS") and Anti-epidemic Fund granted by the Government of the Hong Kong Special Administrative Region ("HKSAR") respectively as part of the relief measures on Covid-19 pandemic. The subsidy income from ESS covers the period from June 2020 to August 2020 and the unrecognised income of approximately HK$1,284,000 is included in deferred income under "trade and other payables" (Note 23). Under the terms of the ESS, the total payroll headcount of each month from June 2020 to August 2020 shall not be less than that of March 2020 as a result of termination of staff and the Group is liable to a penalty if a variance is identified in each of the month. As such, the Group recognises the cash subsidy over the three-month period on a straight-line basis.

8. FINANCE COSTS

Continuing operations

	2020 HK$'000	2019 HK$'000
Interests on:		
Bank borrowings	25	197
Obligations under finance leases	–	54
Lease liabilities	60	–
	85	251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

9. INCOME TAX (CREDIT) EXPENSES

Continuing operations

	2020 HK$'000	2019 HK$'000
Hong Kong Profits Tax:		
Current tax	–	852
Over-provision in prior years	(4)	(17)
	(4)	835
Deferred taxation (Note 27)	(34)	(93)
	(38)	742

For the year ended 30 June 2020, no provision for Hong Kong profits tax was made as there are no assessable profits.

For the year ended 30 June 2019, Hong Kong profits tax of the qualified entity of the Group was calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime was taxed at the flat rate of 16.5%.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. For the years ended 30 June 2020 and 2019, no provision for EIT was made as there were no assessable profits.

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

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

	2020 HK$'000	2019 HK$'000
Continuing operations		
Loss before taxation	(14,547)	(8,511)
Tax at the domestic income tax rate of 16.5% (2019: 16.5%)	(2,400)	(1,404)
Tax effect of income not taxable for tax purposes	(198)	(73)
Tax effect of expenses not deductible for tax purposes	960	2,421
Tax effect of tax loss not recognised	1,604	–
Over-provision in prior years	(4)	(17)
Effect of two-tiered profits tax rates regime	–	(165)
Effect of tax concession granted (Note)	–	(20)
Income tax (credit) expenses for the year	(38)	742

Note: For the year of assessment 2019/20, tax concession represented a reduction of Hong Kong Profits Tax by 75%, subject to a ceiling of HK$20,000 per company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

10. DISCONTINUED OPERATIONS

On 20 May 2019, the Company entered into a sales and purchase agreement with a shareholder of non-controlling interest of Jiangyin Grabene Photocatalyic Technology Co., Ltd., ("Jiangyin Grabene") to dispose its wholly owned subsidiary, Sino Kaiser Limited ("Sino Kaiser"). Through this disposal, 100% directly held subsidiary by Sino Kaiser and its 55% indirectly held subsidiary (collectively referred to as the "Disposal Group") were also disposed accordingly, at a cash consideration of HK$42,800,000. The Disposal Group carried out all of the Group's sales of visible light photocatalysis products which represented a separate major line of business of the Group. As a result, it had been presented as a discontinued operation in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019. The disposal was completed on 28 June 2019, on which date control of the Disposal Group was passed to the acquirer.

The loss from the discontinued operation for the period from 1 July 2018 to 28 June 2019 was analysed as follows:

	1/7/2018 – 28/6/2019 HK$'000
Loss of sales of visible light photocatalysis product operation for the period	(8,766)
Loss on disposal of sales of visible light photocatalysis product operation (Note 37)	(419)
	(9,185)

The results of the sales of visible light photocatalysis products operations for the period from 1 July 2018 to 28 June 2019 were as follows:

	1/7/2018 – 28/6/2019 HK$'000
Revenue	1,106
Cost of sales	(266)
Gross profit	840
Other income	425
Gain on fair value change on contingent payable (Note 36)	12,770
Impairment on goodwill	(10,234)
Administrative expenses	(7,481)
Finance costs	(5,086)
Loss before taxation	(8,766)
Income tax expenses (Note)	–
Loss for the period	(8,766)
Loss for the period attributable to:	
– Owners of the Company	(3,721)
– Non-controlling interests of the Disposal Group	(5,045)
	(8,766)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

10. DISCONTINUED OPERATIONS (Continued)

Note: Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. No provision for PRC Enterprise Income Tax has been made as the PRC subsidiary has no assessable profits for the year ended 30 June 2019. No provision for PRC Enterprise Income Tax has been made as the PRC subsidiary has sufficient tax losses brought forward to set off against current period's assessable profit for the year ended 30 June 2019.

Loss for the period from discontinued operation has been arrived at after charging (crediting):

	1/7/2018 – 28/6/2019 HK$'000
Amount of inventories recognised as an expense	266
Staff costs – salaries, allowances, other benefits and contributions to retirement benefits scheme	848
Depreciation of property, plant and equipment	1,892
Amortisation of prepaid lease payments	1,092
Net exchange losses	4
Rental income, net of nil direct outgoings	(391)
Bank interest income	(2)

The information on cash flows incurred by the discontinued operation is as follows:

	1/7/2018 – 28/6/2019 HK$'000
Net cash used in operating activities	(9,131)
Net cash from investing activities	3,619
Net cash from financing activities	6,766

No tax deduction arose on loss on disposal of the discontinued operation.

The carrying amounts of the total assets and liabilities of the discontinued operation at the date of disposal are disclosed in Note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

11. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

Continuing operations

	2020 HK$'000	2019 HK$'000
Staff costs (including directors' and chief executive's emoluments)		
– Directors' and chief executive's emoluments (Note 12)	3,456	2,232
– Salaries, allowances and other benefits (excluding directors' and chief executive's emoluments)	29,189	38,742
– Contributions to retirement benefits schemes (excluding directors' and chief executive's emoluments)	929	1,128
– Long service payment obligations	67	106
Total staff costs	33,641	42,208
Auditor's remuneration	1,280	1,102
Impairment loss on trade receivables	1,249	–
Impairment loss on other receivables	964	–
Depreciation of property, plant and equipment	652	1,157
Depreciation of right-of-use assets	1,685	–
Minimum lease payments paid under operating lease in respected of rented premises (Note)	N/A	3,933

Note: Operating lease payments in respect of rented premises for the year ended 30 June 2019 represent payments made and accounted for under HKAS 17. Details of the lease payments made for the year ended 30 June 2020 are set out in Note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2019: five) directors, ex-directors and chief executive were as follows:

For the year ended 30 June 2020

Name of Director	Directors fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings				
Executive directors				
Ma Huijun (Chairman) (Note i)	–	640	–	640
Dai Jian (Vice chairman and Chief Executive Officer ("CEO")) (Notes ii, v)	–	1,200	18	1,218
Dai Ming	–	600	18	618
Lai Aizhong (Note iii)	–	400	–	400
Non-executive director				
Zhang Junze (Note iv)	–	96	–	96
Independent non-executive directors				
Chan Foon	132	–	–	132
Guo Biao	132	–	–	132
Song Dan	132	–	–	132
Huang Shuhui (Note iii)	88	–	–	88
	484	2,936	36	3,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

For the year ended 30 June 2019

Name of Director	Directors' fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings				
Executive directors				
Dai Jian (Chairman and CEO) (Notes v)	–	1,200	18	1,218
Dai Ming	–	600	18	618
Independent non-executive directors				
Chan Foon	132	–	–	132
Guo Biao	132	–	–	132
Song Dan	132	–	–	132
	396	1,800	36	2,232

Notes:

(i) Appointed as an executive director and the chairman on 21 November 2019.

(ii) Resigned as the chairman and appointed as the vice chairman on 21 November 2019.

(iii) Appointed on 21 November 2019.

(iv) Appointed on 20 December 2019.

(v) Emoluments also included those for services rendered as CEO.

Neither the chief executive nor any of the directors agreed to waive or waived any emoluments during the years ended 30 June 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

13. INDIVIDUAL WITH HIGHEST EMOLUMENTS

During the year ended 30 June 2020, the five individuals with the highest emoluments in the Group included one (2019: one) director and chief executive whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining four (2019: four) non-director individuals were follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, allowances and other benefits	**4,616**	8,632
Contributions to retirement benefits schemes	**50**	72
	4,666	8,704

Their emoluments were within the following bands:

	2020 **No. of employees**	2019 No. of employees
Nil to HK$1,000,000	**3**	–
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,500,000	**–**	3

During the years ended 30 June 2020 and 2019, no emoluments were paid by the Group to the directors of the Company, chief executive and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

14. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2020, nor has any dividend been proposed since the end of reporting period (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

15. LOSS PER SHARE

From continuing and discontinued operations

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

	2020 HK$'000	2019 HK$'000
Loss		
Loss for the purpose of basic loss per share, loss for the year attributable to owners of the Company		
– from continuing operations	(14,493)	(9,270)
– from discontinued operation	–	(4,140)
– from continuing and discontinued operations	(14,493)	(13,410)

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,594,000,000	5,594,000,000
Basic and diluted loss per share (HK cents)		
– from continuing and discontinued operations	(0.26)	(0.24)
– from continuing operations	(0.26)	(0.17)
– from discontinued operation	–	(0.07)

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares during the years ended 30 June 2020 and 2019.

The denominators used are the same as those detailed above for both basic and diluted loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixture and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
COST						
At 1 July 2018	39,226	4,089	1,869	8,689	177	54,050
Additions	–	–	–	1,312	–	1,312
Disposals	–	–	–	(2,676)	–	(2,676)
Disposal of subsidiaries (Note 37)	(37,521)	(3,559)	(70)	–	(26)	(41,176)
Exchange realignment	(1,705)	(112)	(3)	–	(1)	(1,821)
At 30 June 2019	–	418	1,796	7,325	150	9,689
Impact on initial application of HKFRS 16 (Note 2)	–	–	–	(2,480)	–	(2,480)
At 1 July 2019 (Restated)	–	418	1,796	4,845	150	7,209
Disposals	–	–	–	(550)	–	(550)
Transfer from right-of-use assets (Note a)	–	–	–	1,609	–	1,609
At 30 June 2020	–	418	1,796	5,904	150	8,268
ACCUMULATED DEPRECIATION						
At 1 July 2018	228	442	1,400	3,053	84	5,207
Charge for the year	1,517	365	84	1,045	38	3,049
Eliminated on disposals	–	–	–	(1,191)	–	(1,191)
Disposal of subsidiaries (Note 37)	(1,551)	(414)	(17)	–	–	(1,982)
Exchange realignment	(194)	(2)	–	–	–	(196)
At 30 June and 1 July 2019	–	391	1,467	2,907	122	4,887
Impact on initial application of HKFRS 16 (Note 2)	–	–	–	(729)	–	(729)
At 1 July 2019 (Restated)	–	391	1,467	2,178	122	4,158
Charge for the year	–	4	66	554	28	652
Eliminated on disposals	–	–	–	(387)	–	(387)
At 30 June 2020	–	395	1,533	2,345	150	4,423
CARRYING VALUES						
At 30 June 2020	–	23	263	3,559	–	3,845
At 30 June 2019	–	27	329	4,418	28	4,802

Note a: During the year ended 30 June 2020, the Group obtained the ownership of certain right-of-use assets at the end of the lease terms and the carrying amounts of the assets of approximately HK$1,609,000 were transferred to property, plant and equipment as deemed costs.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

The following property, plant and equipment are depreciated on a straight-line basis, at the following rates per annum:

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

As at 30 June 2019, the carrying values of motor vehicles include an amount of approximately HK$1,751,000 in respect of assets held under finance leases.

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	30.6.2020 HK$'000	1.7.2019 HK$'000
Buildings	290	1,833
Motor vehicles	–	1,751
	290	3,584

In respect of lease arrangement for renting motor vehicles, the Group's obligations were secured by lessor's charge over the leased assets with carrying amounts of approximately HK$1,751,000 on 1 July 2019. During the year, the Group obtained the ownership of these assets at the end of the lease terms and the carrying amounts of the assets of approximately HK$1,609,000 were transferred to property, plant and equipment as deemed costs.

At 30 June 2020, right-of-use assets of approximately HK$290,000 and nil (1 July 2019: HK1,833,000 and HK$1,751,000) represents the lease arrangements for buildings and motor vehicles located in the Hong Kong respectively.

The lease terms generally ranged from one to two years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(ii) Lease liabilities

	30.6.2020 HK$'000	1.7.2019 HK$'000
Non-current	–	40
Current	276	2,489
	276	2,529

	30.6.2020 HK$'000
Amounts payable under lease liabilities	
– Within one year	276

(iii) Amounts recognised in profit or loss

	1.7.2019 to 30.6.2020 HK$'000
Depreciation expense on right-of-use assets	
– Buildings	1,543
– Motor vehicles	142
	1,685
Interest expense on lease liabilities	60
Expense relating to short-term leases	418

(iv) Others

During the year ended 30 June 2020, the total cash outflow for leases amount to approximately HK$2,731,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$'000	2019 HK$'000
Unlisted equity investment designated as at FVTOCI	–	1,949

As at 30 June 2019, the Group held 4.02% equity interest in an unlisted company in Hong Kong. The investment in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company had elected to designate these investments in equity instruments as at FVTOCI as they believed that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

On 19 September 2019, as a result of change in investment plan, the Group disposed of the investment in the unlisted equity instrument to an independent third party at a consideration of approximately HK$4,490,000 and a gain on disposal of approximately HK$2,541,000 was recognised in other comprehensive income.

19. RENTAL DEPOSIT, TRADE AND OTHER RECEIVABLES AND CONSIDERATION RECEIVABLE

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

	2020 HK$'000	2019 HK$'000
Trade receivables (Note a)	75,167	55,535
Less: Loss allowance of trade receivables	(1,249)	–
Net trade receivables	73,918	55,535
Advances to subcontractors	2,262	2,632
Payment in advance	337	413
	76,517	58,580
Deposits and other receivables (Note b)	15,440	1,517
Less: Loss allowance of other receivables	(964)	–
	14,476	1,517
Less: Rental deposit shown under non-current assets	(150)	(178)
	14,326	1,339
	90,843	59,919

(a) At as 30 June 2020, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK$75,167,000 (2019: HK$55,535,000).

(b) As at 30 June 2020, the gross amount of other receivables of approximately HK$13,458,000 (2019: Nil) represented receivables from the sales of construction materials. The credit term provided to the customer is 90 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

19. RENTAL DEPOSIT, TRADE AND OTHER RECEIVABLES AND CONSIDERATION RECEIVABLE (Continued)

The Group does not hold any collateral over the above balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate, for the building maintenance and renovation services.

The following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the certified report or based on invoices dates which approximates the respective revenue recognition dates at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Within 90 days	42,140	25,410
91 to 180 days	3,177	5,879
181 to 365 days	4,580	11,156
1 to 2 years	23,081	12,150
Over 2 years	940	940
	73,918	55,535

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated either collectively using a provision matrix by reference to past default experience of the debtor or assessed on an individual basis based on the credit risk characteristic and the ageing of trade receivables. The Group considers the historical loss rates in the past three years and adjusts for forward looking factors in calculating the ECL rates.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

The following table provides information about the exposure to credit risk and ECL for trade receivables from those customers which are assessed individually or collectively based on provision matrix as at 30 June 2020.

As at 30 June 2020	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables – collective assessment				
– Not past due	–	57,720	–	57,720
Trade receivables – individual assessment	7.2	17,447	(1,249)	16,198
		75,167	(1,249)	73,918

For trade receivables of approximately HK$57,720,000 that are due from government bodies which have good credit rating and very rare past default payment history, the directors of the Company assessed the ECL on a collective basis with insignificant loss allowance noted. The remaining trade receivable of approximately HK$17,447,000 was due from a non-government body and ECL is assessed individually.

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

As at 30 June 2019, the directors of the Company consider that the ECL was insignificant in respect of the trade receivables, therefore no loss allowance on trade receivables was recognised.

The movement in the allowance for impairment of trade receivables is set out below:

	2020 HK$'000	2019 HK$'000
At the beginning of the year	–	596
Impairment loss recognised	1,249	–
Amounts written off as uncollectible (Note)	–	(596)
At the end of the year	1,249	–

The following significant change in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2020:

– increase in days past due over 30 days resulted in an increase in lifetime ECL of approximately HK$1,249,000.

Note: The Group writes off trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or in severe financial difficulties.

An analysis of the gross amount of deposits and other receivables is as follows.

	Expected loss rate %	**Gross carrying amount** HK$'000	**Loss allowance** HK$'000	**Net carrying amount** HK$'000
30 June 2020				
Performing	–	1,982	–	1,982
Doubtful	7.2	13,458	(964)	12,494
Total		15,440	(964)	14,476
30 June 2019				
Performing	–	1,517	–	1,517

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for deposits and other receivables.

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For the year ended 30 June 2020

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

The movement in the allowance for impairment of deposits and other receivables is set out below:

	2020 HK$'000	2019 HK$'000
At the beginning of the year	–	–
Impairment loss recognised	964	–
At the end of the year	964	–

The following significant change in the gross carrying amount of deposits and other receivables contributed to the increase in the loss allowance during 2020:

– increase in days past due over 30 days resulted in an increase in lifetime ECL of approximately HK$964,000 as the directors of the Company consider that there is a significant increase in credit risk.

The following is an analysis of consideration receivable at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Consideration receivable (Note)	21,400	21,400

Note: As at 30 June 2020, gross amount of consideration receivables of approximately HK$21,400,000 represented receivables from disposal of subsidiaries taken place during the year ended 30 June 2019. There has been a significant increase in credit risk during the year ended 30 June 2020 as the outstanding balance was overdue. However, the directors of the Company consider that the ECL is insignificant in respect of the consideration receivable after taking into account the value of the pledged properties and therefore no loss allowance on consideration receivable was recognised as at 30 June 2020 (2019: nil).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the consideration receivable.

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For the year ended 30 June 2020

20. LOAN AND INTEREST RECEIVABLE

	2020 HK$'000	2019 HK$'000
Unsecured fixed-rate loan and interest receivable	**12,088**	9,965

As at 30 June 2020, included in the Group's loan and interest receivable balance is a single debtor with gross amount of HK$12,088,000 (2019: HK$9,965,000) which is secured by listed shares held by the debtor (2019: Unsecured) and the repayment term has been further extended to 26 March 2021 during the year. The amount is interest bearing at a fixed rate of 9% (2019: 9%) per annum.

During the year ended 30 June 2020, in determining the ECL for the asset, the directors of the Company have taken into account the historical payment history of the debtor considering various external sources of actual and forecast economic information and value of charged shares, as appropriate, in estimating the probability of the default of this financial asset as well as the loss upon default in each case.

The directors of the Company consider that the ECL is insignificant in respect of the loan and interest receivables after taking into account of the value of the charged shares, therefore no loss allowance on loan and interest receivables was recognised as at 30 June 2020 (2019: nil).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for loan and interest receivable.

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For the year ended 30 June 2020

21. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Analysed as current:		
Unbilled revenue of construction contracts (Note a)	45,018	65,935
Retention receivables of construction contracts (Note b)	6,862	6,901
Total contract assets	51,880	72,836
Unbilled revenue of construction contracts		
Within one year	37,275	65,935
Over one year (Note c)	7,743	–
	45,018	65,935
Retention receivables of construction contracts		
Due within one year	4,495	5,902
Due over one year (Note c)	2,367	999
	6,862	6,901

Notes:

(a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

(b) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

(c) The amount was expected to be recovered in more than twelve months from the end of the reporting period but within its normal operating cycle.

The Group classifies these contract assets under current assets because the Group expects to realise them in its normal operating cycle.

21. CONTRACT ASSETS (Continued)

For contract assets, the Group has applied the simplified approach permitted by HKFRS 9 to measure the allowance for credit losses at lifetime ECL. The contract assets are assessed for ECL by using the same basis and approach as trade receivables. After the assessment by the directors of the Company, the allowance for ECL on contract assets are insignificant to the Group as at 30 June 2019 and 2020.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for contract assets.

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

Pledged bank deposits

As at 30 June 2020, pledged bank deposits represent deposit pledged to a bank to secure bank facilities and performance guarantee in respect of a renovation project issued by the Group and is expected to be recovered in its normal operating cycle and therefore classified as current asset (2019: to secure bank borrowings which was repayable less than twelve months and was therefore classified as current asset). Pledged bank deposits carried fixed interest rates which range from 0.63% to 1.70% per annum (2019: 1.75%).

Time deposits with original maturity over three months

As at 30 June 2020, time deposits carried a fixed interest rate which range from 1.40% to 1.90% per annum (2019: 2.50%).

Bank balances and cash

Bank balances carry interest at market rates which range from 0.01% to 0.03% (2019: 0.01% to 0.03%) per annum.

23. TRADE AND OTHER PAYABLES

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

	2020 **HK$'000**	2019 HK$'000
Trade payables	**84,267**	47,085
Retention money payables (Note a)	**4,491**	6,516
Accrued expenses and other payables (Note b)	**9,734**	10,296
Deferred subsidy income (Note 7(ii))	**1,284**	–
Dividend payable to non-controlling interests	**779**	779
	100,555	64,676

Notes:

(a) As at 30 June 2020, retention money of approximately HK$349,000 (2019: HK$984,000) was expected to be paid or settled in more than twelve months from the end of the reporting period but within its normal operating cycle.

(b) As at 30 June 2020, included in accrued expenses and other payables was amount of approximately HK$1,278,000 (2019: HK$540,000) representing accrued directors' emoluments. The amount is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

23. TRADE AND OTHER PAYABLES (Continued)

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

	2020 HK$'000	2019 HK$'000
Within 90 days	**60,659**	21,842
91 to 180 days	**4,879**	9,675
181 to 365 days	**9,187**	5,190
1 to 2 years	**7,291**	5,750
Over 2 years	**2,251**	4,628
	84,267	47,085

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

24. OBLIGATIONS UNDER FINANCE LEASES

	2019 HK$'000
Analysed for reporting purposes as:	
– Current liabilities	696

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term ranged from 1 to 1.5 years throughout the year ended 30 June 2019. During the year ended 30 June 2019, the effective interest rates ranged from 1.23% to 1.28% per annum.

	Minimum lease payments 2019 HK$'000	Present value of minimum lease payments 2019 HK$'000
Analysed for reporting purposes as:		
– Within one year	703	696
Less: future finance charges	(7)	N/A
Present value of obligations under finance lease	696	

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For the year ended 30 June 2020

24. OBLIGATIONS UNDER FINANCE LEASES (Continued)

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

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 July 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases and disclosed in note 17. Comparative information as at 30 June 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 2.

25. BANK BORROWINGS

	2020 HK$'000	2019 HK$'000
Secured and guaranteed	–	2,146
Carrying amount of bank borrowings repayable (based on scheduled repayment dates set out in the loan agreement)		
– Within one year	–	2,146

As at 30 June 2019, bank borrowings for Hong Kong carried at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.5% which was 3.30% to 3.67% per annum. The bank borrowings and general banking facilities were secured and/or guaranteed by the corporate guarantee given by the Company and the Group's pledged bank deposits as disclosed in Note 22.

All the bank borrowings were settled during the year ended 30 June 2020.

26. LONG SERVICE PAYMENT OBLIGATIONS

The long service payment obligations is as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the year	432	326
Provision for the year	67	106
At the end of the year	499	432

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For the year ended 30 June 2020

26. LONG SERVICE PAYMENT OBLIGATIONS (Continued)

The Group makes provision for probable future long service payments to employees in accordance with Hong Kong Employment Ordinance. Pursuant to Chapter 10 of the Hong Kong Employment Ordinance, the long service payment is to be offset with the accrued benefits derived from the Group's contributions made to MPF Scheme for the employees and subject to a cap of HK$390,000 per employee. The provision represents the management's best estimate of the Group's liability at the end of the reporting period. As at 30 June 2020 and 2019, the amount is calculated based on the principal assumptions stated as below:

	2020	2019
Salary inflation rate	0.00%	3.50%
Discount rate	1.63%	1.63%

27. DEFERRED TAX

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

	Business combination HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 July 2018	(2,270)	(549)	830	(1,989)
Credited to profit or loss (Note 9)	–	93	–	93
Disposal of a subsidiary (Note 37)	2,270	–	(830)	1,440
At 30 June and 1 July 2019	–	(456)	–	(456)
Credited to profit or loss (Note 9)	–	34	–	34
At 30 June 2020	–	(422)	–	(422)

At the end of the reporting period, the Group has unused tax loss of approximately HK$28,992,000 (2019: HK$19,269,000). No deferred tax has been recognised due to unpredictability of future profit streams. Such tax loss may be carried forward indefinitely.

28. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HK$'000
Authorised:		
Ordinary share of HK$0.002 each at 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	10,000,000,000	20,000
Issued and fully paid:		
Ordinary share of HK$0.002 each at 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	5,594,000,000	11,189

29. CAPITAL RISK MANAGEMENT

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at FVTOCI	–	1,949
Financial assets at amortised cost	191,893	148,000
Financial liabilities		
At amortised cost	99,271	66,822

Financial risk management objectives and policies

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

Market risk

Currency risk

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

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

	Assets		Liabilities	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
USD	–	560	–	–

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

Sensitivity analysis

The management considered that the currency between HK$ and USD is pegged under linked-exchange rate system, the effect of change is not significant, accordingly, it is not included in this sensitivity analysis.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

As at 30 June 2020 and 2019, the Group is exposed to cash flow interest rate risk in relation to its variable rate bank balances and bank borrowings and is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposit, time deposits with original maturity over three months and lease liabilities/obligations under finance leases.

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

As at 30 June 2020 and 2019, the Group had minimal exposure to interest rate risk and no sensitivity analysis is performed below.

Credit risk

As at 30 June 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from bank balances and cash, rental deposit, pledged bank deposits, time deposits with original maturity over three months, trade and other receivables, consideration receivable and loan and interest receivable. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at an amount equal to lifetime ECL. In estimating the ECL, the Group determines the ECL either collectively using a provision matrix by reference to past default experience of the debtor or assessed on an individual basis based on the credit risk characteristic and the ageing of trade receivables. The Group estimated the ECL based on historical credit loss experience, adjusted for factors that are specific to the debtors, the general economic conditions and an assessment of both the current as well as the forecast conditions at the reporting date, including time value of money where appropriate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered rental deposit, deposits and certain other receivables, time deposits with original maturity over three months, pledged bank deposits, bank balances and cash and loan and interest receivables to be low credit risk and thus measurement of the loss allowance was limited to 12-month ECL. However, there has been a significant increase in credit risk of certain other receivables and consideration receivable and thus the measurement of the loss allowance during the year ended 30 June 2020 was based on the lifetime ECL. As the consideration receivable was fully secured by collaterals with high market value, the management considers that the credit risk in respect of the consideration receivable is significantly reduced.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increase in credit risk on other financial instruments of the debtor

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management team to develop and maintain the Group's credit risk grading to categories exposures according to their degree of risk of default. The management team uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group's financial assets and contracts assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

As at 30 June 2020	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Loan and interest receivable	Performing	12-month ECL	12,088	–	12,088
Consideration receivable	Doubtful	Lifetime ECL (not credit impaired)	21,400	–	21,400
Trade receivables	N/A (Note i)	Lifetime ECL (collectively assessed, not credit-impaired)	57,720	–	57,720
	N/A (Note i)	Lifetime ECL (individually assessed, not credit-impaired)	17,447	(1,249)	16,198
Deposits and other receivables	Performing	12-month ECL	1,982	–	1,982
	Doubtful	Lifetime ECL (not credit impaired)	13,458	(964)	12,494
Contract assets	N/A (Note i)	Lifetime ECL (simplified approach)	51,880	–	51,880
Time deposits with original maturity over three months	(Note ii)	12-month ECL	31,500	–	31,500
Pledged bank deposits	(Note ii)	12-month ECL	1,435	–	1,435
Bank balances and cash	(Note ii)	12-month ECL	37,076	–	37,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

As at 30 June 2019	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Loan and interest receivable	Performing	12-month ECL	9,965	–	9,965
Consideration receivable	Performing	12-month ECL	21,400	–	21,400
Trade receivables	N/A (Note i)	Lifetime ECL (collectively assessed, not credit-impaired)	55,535	–	55,535
Deposits and other receivables	Performing	12-month ECL	1,517	–	1,517
Contract assets	N/A (Note i)	Lifetime ECL (simplified approach)	72,836	–	72,836
Pledged bank deposits	(Note ii)	12-month ECL	1,411	–	1,411
Time deposits with original maturity over three months	(Note ii)	12-month ECL	10,000	–	10,000
Bank balances and cash	(Note ii)	12-month ECL	48,172	–	48,172

Notes:

(i) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. In estimating the ECL, the Group determines the ECL either collectively using a provision matrix by reference to past default experience of the debtor or assessed on an individual basis based on the credit risk characteristic and the ageing of the trade receivables and contract assets. The Group estimated the ECL based on historical credit loss experience, adjusted for factors that are specific to the debtors, the general economic conditions and an assessment of both the current as well as the forecast conditions at the reporting date, including time value of money where appropriate. Notes 19 and 21 include further details on the loss allowance for these assets respectively.

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

The Group has concentration of credit risk as 28% (2019: 31%) of the total trade receivables at 30 June 2020 was due from the Group's largest customer.

The Group has concentration of credit risk as 81% (2019: 95%) of the total trade receivables at 30 June 2020 was due from the Group's five largest customers.

The Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for 100% (2019: 100%) of the total trade receivables as at 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity table	**On demand or within 1 year** HK$'000	**Total contractual undiscounted cash flow** HK$'000	**Carrying amount** HK$'000
At 30 June 2020			
Trade and other payables	**99,271**	**99,271**	**99,271**
Lease liabilities	**323**	**323**	**276**
At 30 June 2019			
Trade and other payables	64,676	64,676	64,676
Bank borrowings	2,339	2,339	2,146
	67,105	67,105	66,822
Obligations under finance leases	703	703	696

30. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement

Certain of Group's financial assets and financial liabilities are measured at fair value at 30 June 2019. The following table give information about how the fair value was determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements was categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable in accordance with the Group's accounting policy.

Financial assets	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Fair value** 2019 HK'000
Financial assets at FVTOCI (Note 1)	Level 3	Market approach – By reference to the price to book ratio of 0.65	1,949

Note 1: As at 30 June 2019, the significant unobservable inputs were price to book multiples of comparable companies. The relationship of key inputs and significant unobservable inputs to fair value was the lower the price to book multiples, the lower would be the fair value.

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

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding fair values due to short term maturities.

The carrying amounts of non-current financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding fair values due to the applicable interest rate are based on prevailing market interest rates or current interest rates offered for similar financial instruments appropriate for the remaining term to maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

Reconciliation of level 3 fair value measurement of financial assets and financial liabilities on recurring basis as follows:

	Financial assets at FVTOCI HK$'000
At 1 July 2018	2,742
Fair value changes recognised in other comprehensive income	(793)
At 30 June 2019	1,949
Disposed of during the year	(1,949)
At 30 June 2020	–

31. SHARE OPTION SCHEME

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

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

No share option has been granted since the adoption of the share option scheme and there is no outstanding share option as at 30 June 2019 and 2020.

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32. RETIREMENT BENEFITS PLANS

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

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

During the years ended 30 June 2020 and 2019, the total expense recognised in the consolidated statement of profit or loss and other comprehensive income is approximately HK$965,000 and HK$1,254,000 respectively, which represent contributions payable to these schemes by the Group at rates specified in the rules of the scheme.

33. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 June 2019, the Group had commitments in respect of future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$'000
Within one year	1,731
In the second to fifth year inclusive	343
	2,074

Operating lease payments represents rentals payable by the Group for its office premises and a motor license. For the year ended 30 June 2019, leases are negotiated and rentals are fixed for a term ranging from 1 to 2 years.

The leases were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 July 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 July 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of finance position in accordance with the policies set out in note 3, and the details regarding the Group's future lease payments are disclosed in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. CONTINGENT LIABILITIES

Contingent liabilities in respect of legal claims

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

Guarantee issued

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

	2020	2019
	HK$'000	HK$'000
Performance bonds in favor of its clients	**1,250**	2,822

As at 30 June 2020 approximately HK$1,250,000 (2019: HK$2,822,000) of performance bonds were given by bank in favour of some of the Group's customers as security for the performance and observance of the Group's obligations under the service contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work for the relevant customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	1 July 2019 HK$'000	Financing cash flows HK$'000	Finance cost incurred HK$'000	**30 June 2020 HK$'000**
Lease liabilities	2,529	(2,313)	60	**276**
Interest payable included in other payables	–	(25)	25	**–**
Bank borrowings	2,146	(2,146)	–	**–**
	4,675	(4,484)	85	**276**

	1 July 2018 HK$'000	Financing cash flows HK$'000	Disposal of a subsidiary HK$'000 (Note 37)	Finance cost incurred HK$'000	Non-cash changes New finance lease arrangements HK$'000 (Note 41)	30 June 2019 HK$'000
Obligations under finance leases	1,588	(2,023)	–	–	1,131	696
Interest payable included in other payables	–	(5,337)	–	5,337	–	–
Bank borrowings	90,143	(8,386)	(79,611)	–	–	2,146
	91,731	(15,746)	(79,611)	5,337	1,131	2,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

36. CONTINGENT PAYABLE

The fair value of the contingent payable represented the profit guarantee in relation to the adjustments to the consideration for the acquisition of Jiangyin Grabene during the year ended 30 June 2018. Contingent payable was measured at fair value at the end of the reporting period. The movement of contingent payable was as follows:

	HK$'000
At fair value:	
At 1 July 2018	12,770
Fair value change	(12,770)
At 30 June 2019, 1 July 2019 and 30 June 2020	–

As the Profit Guarantee could not be met, fair value change of approximately HK$12,770,000 was recognised during the year ended 30 June 2019.

37. DISPOSAL OF SUBSIDIARIES

For the year ended 30 June 2020

On 29 May 2020, the Group agrees to dispose of the 100% equity interests in Shing Mining Development Company Limited ("Shing Mining") to an independent third party for a cash consideration of HK$1.

Shing Mining was inactive during the year and the disposal has had no significant impact to the Group. The net liabilities of Shing Mining at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	29.5.2020 HK$'000
Bank balances and cash	**2**
Trade and other payables	**(60)**
Tax payable	**(267)**
Net liabilities disposed of	**(325)**

Gain on disposal of a subsidiary	**HK$'000**
Consideration received and receivable	**–**
Net liabilities disposed of	**325**
	325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

37. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 30 June 2020 (Continued)

The gain on disposal is included in other income (see Note 7).

Net cash outflow arising on disposal:	HK$'000
Cash consideration	–
Less: bank balances and cash disposed of	(2)
	(2)

For the year ended 30 June 2019

On 20 May 2019, the Group agrees to dispose of the 100% equity interests in Disposal Group to a shareholder of non-controlling interest of Jiangyin Grabene, for a total cash consideration of HK$42,800,000.

As referred to in note 10, on 28 June 2019, the Group discontinued its sales of visible light photocatalysis products at the time of disposal of the Disposal Group.

Consideration	HK$'000
Cash received	21,400
Deferred cash consideration	21,400
Total consideration	42,800

The net assets of the Disposal Group at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	28.6.2019 HK$'000
Property, plant and equipment	39,194
Prepaid lease payment	37,428
Inventories	8,670
Trade and other receivables	72,324
Bank balances and cash	19
Bank borrowings	(79,611)
Trade and other payables	(13,055)
Deferred tax liabilities	(1,440)
Non-controlling interests	(24,937)
Net assets disposed of	38,592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

37. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 30 June 2019 (Continued)

Loss on disposal of subsidiaries	HK$'000
Consideration received and receivable	42,800
Net assets disposed of	(38,592)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	(4,627)
Loss on disposal	(419)

The loss on disposal is included in the profit for the year from discontinued operations (see Note 10).

Net cash inflow arising on disposal:	HK$'000
Cash consideration	21,400
Less: bank balances and cash disposed of	(19)
	21,381

38. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in these consolidated financial statements, during the year, the Company had the following transactions with related parties:

Related party*	Nature of transaction	2020 HK$'000	2019 HK$'000
Mega Billion Investment Limited	Rental expense	–	984
Handmade Investment Limited	Short-term lease expense/rental expense	333	444
Handmade Investment Limited	Consultancy fee paid	2,008	–
Base Win Engineering Limited	Consultancy fee paid	2,008	–
Group Bridge Investment Limited	Consultancy fee paid	2,008	–

In 2019, the Group entered into a two-year lease in respect of a property from Mega Billion Investment Limited*. The amount of rent payable by the Group under the lease is HK$82,000 per month. As at 30 June 2020, the carrying amount of such lease liabilities is nil. During the year ended 30 June 2020, the Group has made lease payments of approximately 984,000 to the related party.

* All the above companies were directly owned by key management personnel of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

38. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the year was as follows:

	2020 HK$'000	2019 HK$'000
Short-term benefits	9,147	13,185
Post-employment benefits	102	152
	9,249	13,337

The remuneration of the directors of the Company and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

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

	Notes	2020 HK$'000	2019 HK$'000
Non-current asset			
Investments in subsidiaries		9,790	9,790
Current assets			
Other receivables		21,737	21,763
Amounts due from subsidiaries	(a)	3,529	8,861
Bank balances and cash		24	28
		25,290	30,652
Current liabilities			
Accruals and other payables		3,437	2,539
Amounts due to subsidiaries	(a)	1,750	1,750
		5,187	4,289
Net current assets		20,103	26,363
Net assets		29,893	36,153
Capital and reserves			
Share capital		11,189	11,189
Reserves	(b)	18,704	24,964
Total equity		29,893	36,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

Notes:

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

(b) Movement in reserves

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2018	77,790	(37,424)	40,366
Loss and total comprehensive expenses for the year	–	(15,402)	(15,402)
At 30 June 2019 and 1 July 2019	77,790	(52,826)	24,964
Loss and total comprehensive expenses for the year	–	(6,260)	(6,260)
At 30 June 2020	**77,790**	**(59,086)**	**18,704**

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 30 June 2020 and 2019 are as follow:

Name of subsidiary	Place of incorporation/ operation	Class of shares/capital held	Issued and fully paid-up capital	Percentage of ownership interest and voting power held by the Company 2020	2019	Principal activities
Directly held						
ABO Group Limited	The BVI	Ordinary	United States Dollar ("USD") $89,600	100%	100%	Investment holding
Sino Baron Group Limited	The BVI	Ordinary	USD $1	100%	100%	Investment holding
Indirectly held						
Sing Fat Construction Company Limited	Hong Kong	Ordinary	HK$10,200,000	99.61%	99.61%	Provision of building maintenance and renovation services
Richwise Power Investment Limited	Hong Kong	Ordinary	HK$1	100%	100%	Provision of administrative services to group companies
Star Richly Inc. Limited	Hong Kong	Ordinary	HK$1	100%	100%	Inactive
Chong Hui Enterprises Limited	The BVI	Ordinary	USD $1	100%	100%	Inactive
Shing Mining Development Company Limited	Hong Kong	Ordinary	HK$1	– (Note)	100%	Inactive

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

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

Note: Being the subsidiary disposed of during the year ended 30 June 2020. Details are disclosed in Note 37.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. One subsidiary is engaged in investment holding and the other subsidiaries were inactive during the year. A summary of these subsidiaries are set out as follows:

Principal activities	**Principal place of business**	**Number of subsidiaries**	
		30/6/2020	30/6/2019
Investment holding	BVI	**1***	–
Inactive	Hong Kong & PRC	**3***	–

* Newly incorporated during the year

41. MAJOR NON-CASH TRANSACTION

During the year ended 30 June 2019, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the leases of approximately HK$1,131,000 (2020: nil).

42. SUBSEQUENT EVENT DURING THE YEAR

On 25 August 2020, the Company received a winding-up petition (the "Petition") filed by a creditor (the "Petitioner") against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "High Court"). The Petitioner alleged that the Company is indebted to the Petitioner in the sum of approximately HK$407,000 (the "Claim"), which arose from services rendered by it to the Company for the period from 13 March 2019 to 15 April 2020. The first hearing of the petition will be held on 25 November 2020.

At the end of the reporting period, the alleged sum has been accrued by the Group and included in accrued expenses. Subsequently, the Group settled the Claim to the Petitioner. Based on the advice from the Group's legal advisor, with the settlement of the Claim, there is no material impact to the Group's operation and the Petition should be withdrawn after completion of certain administrative procedures.

GROUP FINANCIAL SUMMARY

	For the year ended 30 June				
	2020	2019	2018 (Restated)	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	380,505	415,529	443,556	513,455	488,065
Cost of sales	(362,382)	(384,558)	(401,852)	(468,269)	(443,118)
Gross profit	18,123	30,971	41,704	45,186	44,947
Other income	3,373	1,839	2,021	1,475	322
Gain (loss) on fair value change on held-for-trading investments	–	–	–	59	(1,135)
Operating expenses	(36,043)	(41,321)	(37,715)	(39,824)	(26,988)
(Loss) profit before taxation	(14,547)	(8,511)	6,010	6,896	17,146
Income tax credit (expense)	38	(742)	(2,841)	(5,511)	(5,491)
(Loss) profit for the year from continuing operations	(14,509)	(9,253)	3,169	1,385	11,655
Discontinued operation					
(Loss) profit for the year from discontinued operation	–	(9,185)	4,244	–	–
(Loss) profit for the year	(14,509)	(18,438)	7,413	1,385	11,655
Assets and liabilities					
Non-current assets	4,285	16,894	103,935	8,886	7,854
Current assets	247,891	214,171	331,235	273,895	274,490
Current liabilities	(100,831)	(67,785)	(221,063)	(109,035)	(110,281)
Total assets less current liabilities	151,345	163,280	214,107	173,746	172,063
Non-current liabilities	(921)	(888)	(10,753)	(1,641)	(1,343)
Net assets	150,424	162,392	203,354	172,105	170,720
Capital and reserves					
Share capital	11,189	11,189	11,189	11,189	11,189
Reserves	138,616	150,568	162,662	160,353	159,040
Non-controlling interests	619	635	29,503	563	491
Total equity	150,424	162,392	203,354	172,105	170,720