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)
Stock Code: 3708

ANNUAL REPORT
2021

CONTENTS

CORPORATE INFORMATION

(As at the date of this report)

EXECUTIVE DIRECTORS

Ms. MA Huijun *(Chairman)*
Mr. DAI Jian
Mr. LAI Aizhong
Mr. WONG Ka Shing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUANG Shuhui
Mr. LIEW Swee Yean
Ms. WANG Ying

AUDIT COMMITTEE

Mr. LIEW Swee Yean *(Chairman)*
Mr. HUANG Shuhui
Ms. WANG Ying

NOMINATION COMMITTEE

Ms. MA Huijun *(Chairman)*
Mr. LIEW Swee Yean
Ms. WANG Ying

REMUNERATION COMMITTEE

Mr. HUANG Shuhui *(Chairman)*
Mr. LIEW Swee Yean
Ms. WANG Ying

COMPANY SECRETARY

Ms. CHAN Lok Yin

AUTHORIZED REPRESENTATIVES

Mr. DAI Jian
Mr. WONG Ka Shing

INDEPENDENT AUDITOR

Linksfield CPA Limited
Registered Public Interest Entity Auditor
(Appointed on 27 January 2021)

SHINEWING (HK) CPA Limited
Registered Public Interest Entity Auditor
(Resigned on 27 January 2021)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

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

12/F, Guangdong Finance Building
88 Connaught Road West
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

EMAIL

info@chsc.com.hk

COMPANY WEBSITE

https://chsc.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 2021 (the "**Year**").

RESULTS

During the Year, the Group's principal businesses consist of building maintenance and renovation services.

For the Year, the Group recorded a revenue approximately HK$319.3 million, a decrease of approximately HK$61.2 million or 16.1% from HK$380.5 million recorded in the same period in 2020. Consolidated total comprehensive loss attributable to owners of the Company for the Year decrease by approximately HK$5.9 million or 49.7% to HK$6.0 million, compared to the consolidated total comprehensive loss of previous year (2020: HK$12.0 million).

The basic and diluted loss per share of the Company (the "**Share**") for the Year was approximately HK0.11 cents (2020: HK0.26 cents).

As at 30 June 2021, the equity attributable to owners of the Company amounted to HK$143.8 million (2020: HK$149.8 million), representing a decrease of 4.0%.

DEVELOPMENT FOR THE YEAR

For the core business of maintenance works for public sector, the Group has been awarded contract with notional or estimated contract value of approximately HK$254.4 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 2021. For renovation services, the Group was awarded 7 contracts with notional or estimated contract value of approximately HK$5.1 million during the Year. 4 out of the 7 renovation contracts have been commenced during the Year.

PROSPECTS

The outbreak of coronavirus disease 2019 ("**COVID-19**") had grown into a global pandemic during 2020 and persisted in 2021. 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 2021 and 2022. 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.

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, 3 April 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a building maintenance and renovation service provider in Hong Kong. All (100%) revenue for the Year was derived from building maintenance and renovation services in Hong Kong.

The Group has been focusing on these two business segments since the track record period of its initial public offer in 2015 and continues so as the date of this report. Sing Fat Construction Co., Limited ("**Sing Fat**") is the sole principal operating subsidiary of the Company, which is a 'Group M2 (confirmed status)' building contractor for maintenance works category granted by the Hong Kong Housing Authority ("**Housing Authority**") and an approved contractor listed in the building (maintenance works) category with a quality maintenance contractor status admitted by the Housing Authority. Building maintenance had accounted for over 65% of the Group's revenue for the past two years and its principal customers are from the public sector, which includes the Housing Authority, in Hong Kong.

Revenue for the Year was approximately HK$319.3 million, representing a decrease of approximately HK$61.2 million or 16.1% when compared to the same period last year of approximately HK$380.5 million. It was mainly due to the decrease in both building maintenance and renovation segments.

Building maintenance services

As at 30 June 2021, the Group had 2 building maintenance contracts on hand with a notional or estimated contract value of approximately HK$556.5 million. As at 30 June 2020, the Group had 3 building maintenance contracts on hand with a notional or estimated contract value of HK$824.5 million. The Group have completed 2 building maintenance contracts during the Year.

Renovation services

As at 30 June 2021, the Group had 8 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$207.6 million. As at 30 June 2020, the Group had 4 renovation contracts on hand with a notional or estimated contact value of HK$125.1 million. The Group have completed 3 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$254.4 million, which will be commenced in October 2021.

Renovation services

During the Year, the Group had been successfully awarded 7 contracts with a notional or estimated contract value of approximately HK$5.1 million. 4 out of the 7 renovation contracts have been commenced during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE DEVELOPMENT

With the outbreak of the COVID-19 in the first half of 2020, there was a decrease of amount in award the contracts in building maintenance projects and renovation services projects in Hong Kong. As in the past few years and since our listing on the Stock Exchange, we will continue to focus on identifying opportunities for building maintenance projects and renovation services projects in our future business development, especially in the Hong Kong 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.

FINANCIAL REVIEW

Revenue

Revenue derived from building maintenance services decreased by approximately HK$35.1 million or 14.1% from approximately HK$249.7 million for the year ended 30 June 2020 to approximately HK$214.6 million during the Year. The decrease in revenue was mainly caused by the reduction of contract sum as compared to last year.

Revenue derived from renovation services decreased by approximately HK$26.0 million or 19.9% from approximately HK$130.8 million for the year ended 30 June 2020 to approximately HK$104.8 million during the Year. The decrease in revenue was mainly caused by the reduction of contract sum.

Gross profit and gross profit margin

During the Year, the Group's gross profit amounted to approximately HK$21.2 million (2020: HK$18.1 million) representing an increase of approximately HK$3.1 million or 17.1%, which is consistent with the decrease in cost of sales. Gross profit margin for the Year was approximately 6.6% (2020: 4.8%). The increase in gross profit margin was caused by the increase in the gross profit margin for both building maintenance and renovation services as the Group successfully obtained contracts with higher profit margin and recognised as revenue in the Year.

Gross profit attributable to building maintenance services for the Year amounted to approximately HK$16.8 million (2020: HK$10.7 million), representing an increase of approximately HK$6.1 million or 57.0%. The Group's gross profit margin for building maintenance services for the Year was approximately 7.8% (2020: 4.3%). The increase in gross profit margin during the Year was attributable to the building maintenance projects with higher gross profit margin which had offset the negative effect from the decrease in revenue during the Year and resulted in a substantial increase in the aforesaid gross profit for the building maintenance services segment in the Year.

Gross profit attributable to renovation services for the Year amounted to approximately HK$4.2 million (2020: HK$4.8 million), representing a decrease of approximately HK$0.6 million or 12.5%. Gross profit margin from renovation services during the Year was approximately 4.0%, which was remained in the similar level as compared to the year ended 30 June 2020 of approximately 3.7%.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

During the Year, other income increased by approximately HK$1.6 million or 47.1% from approximately HK$3.4 million for the same period in 2020 to approximately HK$5.0 million for the Year, which was mainly due to the government subsidy of HK$3.2 million (2020: HK$0.7 million).

Administrative expenses

Administrative expenses decreased by approximately HK$2.9 million or 8.9% from approximately HK$33.7 million for the same period in 2020 to approximately HK$30.8 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.

Finance costs

Finance costs decreased by approximately HK$14,000 or 16.5% from approximately HK$85,000 for the same period in 2020 to approximately HK$71,000 for the Year, which was mainly comprised the obligations under finance leases during the Year.

Income tax expenses

The effective tax rates were approximately -0.1% and +0.3% for the Year and the same period in 2020, respectively. The figure for the Year was mainly represented by the deferred income tax movement.

Loss for the Year

The Group recorded loss for the Year materially decreased by approximately HK$8.5 million or 58.7% from approximately loss on HK$14.5 million for the same period in 2020 to approximately loss on HK$6.0 million for the Year, which was mainly due to better gross profit margin and higher gross profit, the government subsidy of HK$3.2 million and as well as decrease in administrative expenses.

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 2021, the Group had total cash and bank balances of approximately HK$38.1 million (2020: HK$37.1 million). There were no bank borrowings in the Group as at 30 June 2021 and 30 June 2020. As at 30 June 2021, the Group had finance leases of approximately HK$0.4 million (2020: HK$Nil). All the cash and bank balances was denominated in Hong Kong dollar as at 30 June 2021. As at 30 June 2021, the share capital and equity attributable to owners of the Company amounted to approximately HK$11.2 million and HK$143.8 million respectively (2020: HK$11.2 million and HK$149.8 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing ratio

Gearing ratio is calculated based on the total debts divided by the total equity. The gearing ratio was approximately 1.0% and 0.2% as at 30 June 2021 and 30 June 2020, respectively. The increase in gearing ratio is due to the increase of the leases liabilities during the Year.

Charge over assets of the Group

As at 30 June 2021, the Group had pledged bank deposits of approximately HK$1.3 million (2020: 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 2021, the Group had motor vehicle under finance leases of approximately HK$0.4 million (2020: HK$Nil).

Contingent liabilities

Contingent liabilities in respect of legal claims

A subsidiary of the Group is defendant in a number of claims, lawsuits and potential claims relating to employees' compensation cases and personal injuries claims. 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 advice, historical records and an outflow of economic benefits is not probable.

Guarantee issued

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

	30 June 2021 HK$'000	30 June 2020 HK$'000
Performance bonds in favor of its clients	**1,250**	1,250

As at 30 June 2021, the amounts of approximately HK$1,250,000 (2020: HK$1,250,000) of performance bonds were given by a 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 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 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and remuneration policies

As at 30 June 2021, the Group had approximately 93 employees (2020: 93). 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.

DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2020: Nil).

SUSPENSION OF TRADING

Due to the delay in publication of the audited annual results of the Company for the year ended 30 June 2021, trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 4 October 2021. On 21 December 2021, the Company received a letter from the Stock Exchange setting out the resumption guidance, which details were set out in the Company's announcement dated 24 December 2021. Trading in the shares of the Company remain suspended as at the date of this report and the Company is providing information to the Stock Exchange to demonstrate fulfilment of the resumption guidance and aim for resumption in trading of the Company's Shares as soon as possible.

BIOGRAPHIES OF CURRENT DIRECTORS AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Ms. MA Huijun, aged 42, 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 23 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 37, 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 a former executive Director for the period from 21 November 2019 to 1 January 2023.

Mr. LAI Aizhong, aged 57, 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).

BIOGRAPHIES OF CURRENT DIRECTORS AND COMPANY SECRETARY

Mr. WONG Ka Shing (re-designated as an executive director on 10 October 2022), aged 44, holds a Bachelor of Arts (Hon) degree in Accounting and Finance issued from The Leeds Metropolitan University in 2003. Mr. Wong is a fellow of both The Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Wong had been (i) an executive director of Yuk Wing Group Holdings Limited (Stock Code: 1536) (a company listed on the Main Board of the Stock Exchange) during the period from January 2019 to January 2021; and (ii) an independent non-executive director of Solomon Worldwide Holdings Limited (Stock Code: 8133) (a company listed on GEM of the Stock Exchange) during the period from April 2015 to April 2022. Mr. Wong has extensive experience in accounting, company secretarial services, auditing and financial management. Mr. Wong has entered into a service agreement with the Company for a term of three years from 1 October 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUANG Shuhui, aged 59, 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).

Mr. LIEW Swee Yean, aged 59, holds a Master's Degree in Business Administration (executive) issued from the City University of Hong Kong in 2002. He is a fellow of both The Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. He has been an independent non-executive director of Kaisun Holdings Limited (stock code: 8203) since November 2006, and an independent non-executive director of Victory City International Holdings Limited (stock code: 0539) from April 2021 to October 2022. He is currently also the financial controller and the company secretary of eBroker Group Limited (stock code: 8036). He has extensive of experience in the finance and accounting fields.

Ms. WANG Ying, aged 50, graduated from Hunan University of Finance and Economics (formerly known as Hunan Finance and Economics College* (湖南財經專科學校) in 1991. Ms. Wang also holds a Bachelor's Degree in Human Resources Management issued by Peking University in 2004. During the period from July 1991 to March 1999, Ms. Wang had worked in the finance department of Hunan Wood Based Panel Co., Ltd* (湖南人造板股份有限公司); and for period from April 1999 to June 2020, Ms. Wang had worked in Century Securities Co., Ltd* (世紀證券有限責任公司) ("Century Securities"). During Mr. Wang's employment in Century Securities, Ms. Wang had held different positions, including vice director of the president's office, manager of human resources department and director of operation management department. Ms. Wang has accumulated years of working experience in the fields of accounting, operation of securities business and corporate management.

BIOGRAPHIES OF CURRENT DIRECTORS AND COMPANY SECRETARY

COMPANY SECRETARY

Ms. CHAN Lok Yin, aged 38, joined the Company on 1 October 2022. She holds a Bachelor's Degree of Accounting issued from Edinburgh Napier University in United Kingdom in 2008. She is an associate of Hong Kong Institute of Certified Public Accountants and an associate of The Hong Kong Chartered Governance Institute. She has been working for a number of listed companies in Hong Kong during the past years, taking the positions of financial controller and/or company secretary. Ms. Chan has accumulated over 10 years of auditing, accounting, corporate governance and company secretarial experience. Ms. Chan also is currently the company secretary of AMCO United Holding Limited (Stock Code: 630) since January 2023.

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 with current principal place of business at 12/F, Guangdong Finance Building, 88 Connaught Road West, Hong Kong with effect from 4 August 2021.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and its sole principal operating subsidiary is principally engaged in building maintenance and renovation service. The activities of the Company's subsidiaries are set out in Note 14 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 45 of this annual report.

The Board does not recommend any payment of a final dividend for the Year (2020: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 116 in this annual report. This summary does not form part of the audited financial statements.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

In conducting its business, the Group endeavours to protect the environment in which it operates and the Board is committed to sustainable development as its responsibility. The Group has established quality and environmental management systems and been certified under ISO 9001 and ISO 14001 for its building maintenance services. During the Year, the Group do not aware of significant non-compliance with the Environmental Protection Law of Hong Kong. Green office practices are also encouraged in the operation of the Group's businesses, such as deploying energy saving lightings, switching off idle lightings, computers and electrical appliances and equipment, monitoring water consumption, using digital technology and recycled paper, encouraging the use of public transport and using telephone or video conferencing as an alternative to business travel. The Group also targets to reduce greenhouse gas emissions, increase energy use efficiency and reduce unnecessary waste disposal in our daily business operations. A detailed discussion on the Group's environmental policies and performance and the stakeholder relationships are contained in the "Environmental, Social and Governance Report" issued by the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group was not aware of any non-compliance with laws and regulations that would have a significant impact on the Group for the year ended 30 June 2021.

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 48 of this annual report.

Distributable reserves of the Company as at 30 June 2021 amounted to approximately HK$5.8 million (2020: HK$18.7 million).

DONATIONS

During the Year, the Group had not made any charitable and other donations (2020: HK$13,200).

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the Year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

The Company's total issued share capital as at 30 June 2021 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 24 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.

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.

DIRECTORS' REPORT

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.

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 116 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' REPORT

DIRECTORS

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

Executive Directors

Ms. MA Huijun *(Chairman)*	
Mr. DAI Jian	
Mr. DAI Ming	(resigned on 1 January 2023)
Mr. LAI Aizhong	
Mr. LUK Chi Shing	(appointed on 12 April 2022 and resigned on 1 October 2022)
Mr. WONG Ka Shing	(re-designated as an executive director on 1 October 2022)

Non-executive Director

Mr. ZHANG Junze	(resigned on 1 January 2023)

Independent non-executive Directors

Mr. CHAN Foon	(resigned on 18 February 2021)
Mr. GUO Biao	(resigned on 17 February 2021)
Mr. HUANG Shuhui	
Mr. LIEW Swee Yean	(appointed on 1 October 2022)
Mr. Ross Yu Limjoco	(appointed on 28 February 2021 and resigned on 12 October 2021)
Ms. SONG Dan	(resigned on 29 July 2021)
Ms. WANG Ying	(appointed on 29 July 2021)
Ms. WONG Carol Ka Low	(appointed 28 February 2021 and resigned on 30 September 2021)
Mr. WONG Ka Shing	(appointed on 12 October 2021 and re-designated as executive director on 1 October 2022)

Pursuant to article 108(a) and 112 of the Articles, Ms. MA Huijun, Mr. DAI Jian, Mr. LAI Aizhong and Mr. HUANG Shuhui shall retire by rotation at the forthcoming annual general meeting. Mr. LIEW Swee Yean, Ms. WANG Ying and Mr. WONG Ka Shing, being directors appointed by the Board, will hold office until the forthcoming general meeting.

The aforesaid directors, being eligible, have offered themselves for re-election.

The Company has received, from each of the current independent non-executive Directors, an annual confirmation of his/her independence pursuant to the Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts with all executive 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 one or three month(s) written notice (as the case may be) served by either party on the other.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three year commencing from the date of the appointment and thereafter shall continue year to year, unless terminated by not less than one month's notice in writing served by either party on the other.

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 Note 9 to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

Biographical details of the current Directors of the Company and Company Secretary as at the date of this annual report are set out on pages 10 to 12 of this annual report.

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

As at 30 June 2021, 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 were as follows:

Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Total	Approximate 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 the 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 the 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 2021.

DIRECTORS' REPORT

4. Ms. ZHAO Li is the spouse of Mr. DAI Jian. Therefore, Ms. ZHAO Li is deemed to be interested in the 3,268,750,000 shares held by Smart Paradise under the SFO.

* *English name is for identification only*

Save as disclosed above and so far as is known to the Directors, as at 30 June 2021, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange under the Model Code.

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

As at 30 June 2021, so far as is known to the Directors, the following entity (not being a Director or chief executive of the Company) have interest or short positions (directly or indirectly) 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 of shareholder	Capacity/Nature of interest	Number of Shares held/ interested in	Approximate percentage of interest (Note)
Smart Paradise	Beneficial owner	3,268,750,000	58.43%

Note: The approximate percentage was calculated based on 5,594,000,000 shares in issue as at 30 June 2021.

Save as disclosed above and so far as is known to the Directors, as at 30 June 2021, the Directors were not aware of any other entity which or person other than a Director and the chief executive of the Company who had, or was deemed to have an interest or a short position in the shares or the underlying shares or debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO.

MAJOR SUBCONTRACTORS AND CUSTOMERS

During the Year, the largest subcontractor accounted for approximately 28.5% (2020: 27.5%) of the Group's total costs of services and the five largest subcontractors accounted for approximately 72.5% (2020: 77.6%) of the Group's total costs of services. The largest customer accounted for approximately 67.2% (2020: 65.6%) of the Group's total revenue and the five largest customers accounted for approximately 99.8% (2020: 98.3%) 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 29 to the consolidated financial statements and are fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

BUSINESS REVIEW

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the Group are set out in Note 3 to the consolidated financial statements.

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 24 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.

DIVIDEND POLICY

Information on the dividend policy adopted by the Company are set out in the section headed "CORPORATE GOVERNANCE REPORT" on page 34 in this annual report.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares. Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in shares. It is emphasised that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of Shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

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 Linksfield CPA Limited ("**Linksfield**").

Linksfield has been appointed as auditor of the Company with effect from 27 January 2021 to fill the casual vacancy following the resignation of the Company's former auditor, SHINEWING (HK) CPA Limited ("**Former Auditor**"). Linksfield will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of Linksfield as auditor of the Company is to be proposed at the forthcoming annual general meeting.

As stated in the announcement of the Company dated 27 January 2021, the Former Auditor had resigned as the auditor of the Company with effect from 27 January 2021 as the Company could not reach a consensus with the Former Auditor on the audit fee for the year ending 30 June 2021. The Former Auditor stated in its letter of resignation that, having taken into account factors including the level of audit fees, it decided to tender its resignation as the auditor of the Company. With the fact that the Former Auditor have not commenced the audit of the consolidated financial statements of the Company and its subsidiaries for the year ending 30 June 2021, and there are no circumstances connected with their resignation that they consider ought to be brought to the attention of holders of securities or creditors of the Company.

Except for disclosed, 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, 3 April 2023

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") and the management of China Supply Chain Holdings Limited (the "**Company**") are committed to good corporate governance and the application of the principles including transparency, accountability and independence to achieve sustainable performance of the Company and enhance its value for the shareholders. The Company and its subsidiaries (the "**Group**") also recognise that a comprehensive corporate governance management structure is crucial in helping the Company to implement its strategies and policies effectively and consistently throughout the Group, and safeguard the long-term interests of its shareholders. The Group has also continuously reviewed its policies and procedures to ensure that it meets the requirements of the applicable laws and regulations, industry best practices, global trends, and market expectations.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with 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 ended 30 June 2021 ("**Year**" or "**FY2021**"), the Company has complied with all the Code Provisions of the CG Code, except as follows:

In respect of code provision D.1.2 of the CG Code, the Company did not provide all members of the Board with monthly updates. However, the Company had based on business situation, provided to the Board from time to time, updated business information to enable the Board as a whole and each Director to discharge their duties. The Company considered that this arrangement was sufficient for the Board to discharge its duties. Nonetheless, the Company has since February 2023 complied with this code provision by providing monthly updates to its Board members.

For the period from 17 February 2021 to 27 February 2021, the Company had temporarily not complied with certain provisions of the Listing Rules due to the resignation of two independent non-executive Directors. The non-compliance, which has been remedied with the appointment of Mr. Ross Yu Limjoco and Ms. Wong Carol Ka Low as independent non-executive Directors with effect from 28 February 2021, include the Company's failure to have (i) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules; (ii) at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; (iii) the number of independent non-executive directors representing one-third of the Board as required under Rule 3.10A of the Listing Rules; (iv) the Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules; (v) the Remuneration Committee comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules; and (vi) the Nomination Committee comprising a majority of independent non-executive directors under the then code provision A.5.1 of the CG Code.

Save as disclosed, in the opinion of the Directors, the Company was in compliance with all the relevant code provisions under the CG Code throughout the year ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules regarding securities transactions for its Directors. After having made specific enquiries through current board members, all of them confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the year ended 30 June 2021.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interest of the Company. The Directors are responsible for ensuring the Group keeps proper accounting records which disclose at any time the financial position of the Group from which the consolidated financial statements of the Group could be prepared in accordance with statutory requirements and the appropriate accounting policies. The Board has delegated the authority and responsibilities for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties. The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

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.

Board Composition

As at the date of this report, the Board comprises seven Directors, consisting of 4 executive Directors, and 3 independent non-executive Directors.

The Directors during the FY2021 were:

Executive Directors

Ms. MA Huijun *(Chairman)*
Mr. DAI Jian
Mr. DAI Ming
Mr. LAI Aizhong

Non-executive Directors

Mr. ZHANG Junze

CORPORATE GOVERNANCE REPORT

Independent non-executive Directors

Mr. CHAN Foon	(resigned on 18 February 2021)
Mr. GUO Biao	(resigned on 17 February 2021)
Mr. HUANG Shuhui	
Mr. Ross Yu Limjoco	(appointed on 28 February 2021)
Ms. SONG Dan	
Ms. WANG Ying	(appointed on 29 July 2021)
Ms. WONG Carol Ka Low	(appointed 28 February 2021)

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

Composition of the Board has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors.

The biographical information of the Directors is set out on pages 10 to 12 under the section headed "Biographies of current Directors and Company Secretary".

The Company is also committed to following the Environmental, Social and Governance ("**ESG**") Reporting Guide as set out in Appendix 27 of the Listing Rules. The Company's annual ESG Report is made available for public on company's websites.

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. In FY2021, Ms. MA Huijun served as the chairman of the Board whereas Mr. DAI Jian served as chief executive officer of the Company.

Independent Non-Executive Directors

Except as disclosed in this report, in the FY2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has received written annual confirmation from each of the current independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all independent non-executive Directors are independent.

Term of Appointment of Non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing throughout the year ended 30 June 2021 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment). Each of such appointment is subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to the articles of association of the Company ("**Articles**").

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, every newly appointed Director is provided with a comprehensive induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. During the year ended 30 June 2021, all Directors were provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that they continue to make contribution to the Board in an informed and relevant manner. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. The Directors are required to provide the Company with details of the training records. The Directors received the following training during the FY2021:

Name of Directors	**Type of training**	
	Reading and/or on-line training	Seminars and/or workshops
Executive Directors		
Ms. MA Huijun	√	N/A
Mr. DAI Jian	√	N/A
Mr. DAI Ming	√	N/A
Mr. LAI Aizhong	√	N/A
Non-executive Director		
Mr. Zhang Junze	√	N/A
Independent non-executive Directors		
Mr. Guo Biao (resigned on 17 February 2021)	√	N/A
Ms. Song Dan	√	N/A
Mr. Chan Foon (resigned on 18 February 2021)	*Note*	*Note*
Mr. Huang Shuhui	√	N/A
Mr. Ross Yu Limjoco (appointed on 28 February 2021)	*Note*	*Note*
Ms. WONG Carol Ka Low (appointed 28 February 2021)	*Note*	*Note*

Note: As the Company has not received the necessary confirmation, the Board cannot make any representation on this matter.

√ — represents training with records.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE AT MEETINGS

Regular Board meetings are scheduled at least four times per year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. Minutes of the Board and committee meetings are prepared and kept by the Company Secretary, and are open for inspection by Directors upon request. All Directors have access to the advice and services of the Company Secretary, and are allowed to seek external professional advice if needed. The management is committed to provide the Board with appropriate and sufficient explanation and information of the Group's affairs through financial reports and business and operational reports in a timely manner, to enable them to make informed decisions. The Directors are also provided with access to the Group's management and the Company Secretary at all times to obtain relevant information for carrying out their duties as Directors.

Set out below are the attendance records of all the Directors at the Company's board meetings, board committee meetings and general meetings held during FY2021:

		Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Executive Directors:						
Ms. MA Huijun		4/4	N/A	N/A	1/1	1/1
Mr. DAI Jian		4/4	N/A	N/A	N/A	1/1
Mr. DAI Ming		4/4	N/A	N/A	N/A	1/1
Mr. LAI Aizhong		4/4	N/A	N/A	N/A	1/1
Non-executive Director:						
Mr. ZHANG Junze		4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors:						
Mr. CHAN Foon	(resigned on 18 February 2021)	1/2	1/1	N/A	N/A	1/1
Mr. GUO Biao	(resigned on 17 February 2021)	1/2	1/1	N/A	N/A	1/1
Mr. HUANG Shuhui		4/4	N/A	N/A	N/A	1/1
Mr. Ross Yu Limjoco	(appointed on 28 February 2021)	2/1	1/1	N/A	N/A	N/A
Ms. SONG Dan		2/4	2/2	1/1	N/A	1/1
Ms. WONG Carol Ka Low	(appointed on 28 February 2021)	1/2	1/1	N/A	N/A	N/A

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, except for mutually agree between both parties.

CORPORATE GOVERNANCE REPORT

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.

Any general meeting of the Company may authorise the Board to fill any vacancy in their number left unfilled at a general meeting of the Company. The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on Board or, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. In accordance with Article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting and shall then be eligible for re-election.

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

BOARD COMMITTEES

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

Audit Committee

The Audit Committee was established on 17 December 2014 in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the CG Code.

During the FY2021, members of the Audit Committee were as follows:

Mr. CHAN Foon *(Note)*	(ceased on 18 February 2021)
Mr. GUO Biao	(ceased on 17 February 2021)
Mr. Ross Yu Limjoco *(Note)*	(appointed 28 February 2021)
Ms. SONG Dan	
Ms. WONG Ka Low Carol	(appointed 28 February 2021)

Note: Mr. CHAN Foon was the chairman of the Audit Committee until he was replaced by Mr. Ross Yu Limjoco on 18 February 2021.

CORPORATE GOVERNANCE REPORT

The principal duties of the Audit Committee include monitoring the integrity of the consolidated financial statements of the Group, reviewing the effectiveness of the Group's internal control (including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget) and risk management as delegated by the Board, and making recommendations to the Board on the appointment, reappointment and/or removal of the external auditor for the audit and non-audit services. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

This annual report has been reviewed by the current Audit Committee. During the FY2021, the Audit Committee held 2 meetings (i) to review the Group's audited financial results for the year ended 30 June 2020; (ii) to review the unaudited interim results for the period ended 31 December 2020; (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.

Nomination Committee

The Nomination Committee was established on 17 December 2014 with written terms of reference in compliance with the paragraph B3 of the CG Code.

During the FY2021, members of the Nomination Committee were as follows:

Ms. MA Huijun *(Note)*	
Mr. CHAN Foon	(ceased on 18 February 2021)
Mr. GUO Biao	(ceased on 17 February 2021)
Mr. Ross Yu Limjoco	(appointed 28 February 2021)
Ms. WONG Carol Ka Low	(appointed 28 February 2021)

Note: Ms. MA Huijun was the chairman of the Nomination Committee in the FY2021.

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, 1 meeting of the Nomination Committee was 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 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 annual general meeting.

CORPORATE GOVERNANCE REPORT

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.

During the FY2021, members of the Remuneration Committee were as follows:

Mr. CHAN Foon	(ceased on 18 February 2021)
Mr. GUO Biao *(Note)*	(ceased on 17 February 2021)
Mr. Ross Yu Limjoco *(Note)*	(appointed 28 February 2021)
Ms. SONG Dan	
Ms. WONG Ka Low Carol	(appointed 28 February 2021)

Note: Mr. GUO Biao ceased to be the chairman of the Renumeration Committee on 17 February 2021. Mr. Ross Yu Limjoco was appointed as the chairman of the Renumeration Committee with effect from 28 February 2021.

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, 1 meeting of the Remuneration Committee was 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.

Details of the Directors' remuneration are set out in Note 9 to the consolidated financial statements. During the Year. The remuneration of the members of the senior management excluding Directors of the Group by band for the year ended 30 June 2021 is set out below:

	Number of individuals	
	2021	**2020**
HK$1 to HK$1,000,000	3	3
HK$1,000,001 to HK$1,500,000	–	1

The remuneration for the Directors comprises Directors' fee, salaries, allowances and benefits, discretionary bonuses and retirement scheme contributions. Salary adjustments are made where the Remuneration Committee takes into account performance, contribution and responsibilities of the individual. Apart from basic salary, executive Directors and senior management of the Group are eligible to receive a discretionary bonus taking into account factors such as market conditions as well as corporate and individual's performance during the year.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives. The duties of the Board in performing its corporate governance functions under the CG Code include:

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

The Board is responsible for performing the corporate governance functions set out in the Code Provision D.3.1 of the CG Code. As at the date of this annual report, the Board has reviewed and monitored (i) the Company's corporate governance policies and practices; (ii) training and continuous professional development of Directors and senior management; (iii) the Company's policies and practices on compliance with legal and regulatory requirements; (iv) the Company's code of conduct; and (v) the Company's compliance with the CG Code disclosure requirements.

AUDITORS' 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. For the FY2021, the Group engaged Linksfield CPA Limited (appointed on 27 January 2021) as the Group's external auditor and the remuneration paid and payable to Linksfield CPA Limited is set out as follows:

	2021	**2020**
	HK$ '000	HK$ '000
Audit services	1,088	1,280
Non-audit services	–	0.2

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. The Group has established guidelines and procedures for the approval and control of expenditures, to ensure the reliability of the financial reporting, effectiveness and efficiency of operation and the compliance with applicable laws and regulations. Whilst these guidelines and procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance. The Board, through the Audit Committee, has conducted a review of effectiveness on both design and implementation of the risk management and internal control systems of the Group for the FY2021, covering all material controls, including financial, operational and compliance controls. Such review will be made at least annually to monitor the adequacy and the effectiveness of the risk management and the internal control system of the Group. In this respect, the Audit Committee communicates any material issues to the Board. Although the Company does not have internal audit function, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group. Subsequent to the FY2021, the Group engaged an expert to review the effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls, and the results and recommendations of the expert were summarised and reported to the Audit Committee and the Board. Recommendations as recommended by the expert have been adopted by the Board. Based on the results of the follow-up review of the expert, the Board considered the internal control and risk management systems effective and adequate.

COMPANY SECRETARY

During the FY2021, Mr. FUNG Nam Shan was the Company Secretary. On 19 July 2021, Mr. Fung resigned and was replaced by Mr. LUK Chi Shing. As the Company has not received the necessary confirmation from Mr. Fung, the Board cannot make any representation on whether Mr. Fung had undertaken no less than 15 hours of relevant professional training during the FY2021 pursuant to Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders and potential investors is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company has adopted the shareholders' communication policy with the objective of ensuring that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company (including the financial performance, strategic goals and plans, material development, governance and risk profile). The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and potential investors to make the informed investment decisions. To promote effective communication, the Company maintains the website at https://chsc.com.hk, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information on the Group including annual and interim reports, announcements and other corporate communications will be updated on the websites of the Stock Exchange (www.hkexnews.hk) and the Company's website in a timely fashion.

CORPORATE GOVERNANCE REPORT

The Company shall convene its annual general meeting in an as soon as possible manner. The notice of the annual general meeting, setting out details of the proposed resolutions, voting procedures and other relevant information, will be sent to Shareholders at least 21 days prior to the meeting.

DIRECTORS' AND AUDITORS' 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 principles, applicable laws and disclosure provisions required of the Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for the year ended 30 June 2021 has been prepared on this basis. The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statements by external auditor, Linksfield CPA Limited (appointed on 27 January 2021), about their reporting responsibility on the consolidated financial statements of the Group are set out in the section headed "INDEPENDENT AUDITOR'S REPORT" in 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 PROCEDURES FOR CONVENING GENERAL MEETINGS BY SHAREHOLDERS

The general meeting of the Company provides an opportunity for communication between the Shareholders and the Board. Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary by post at 12/F, Guangdong Finance Building, 88 Connaught Road West, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

Shareholders are requested to follow Article 64 of the Articles for putting forward a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the section headed "Procedures for Convening General Meetings by Shareholders" in this annual report. 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 Company's principal place of business or branch share registrar and transfer office in Hong Kong. The period for lodgment of the notices required under Article 113 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 seven 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 seven days.

INFORMATION DISCLOSURE

The Company discloses information in compliance with the securities regulations of the Stock Exchange, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. Our primary focus is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public, to make rational and informed decisions.

SHAREHOLDERS' ENQUIRIES

For matters in relation to the Board, Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary or relevant personnel by post to the Company's principal place of business in Hong Kong at 12/F, Guangdong Finance Building, 88 Connaught Road West, Hong Kong. For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividends warrants, the registered Shareholders can contact branch share registrar and transfer office in Hong Kong: Union Registrars Ltd. at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong Tel: (852) 2849 3999.

CONSTITUTIONAL DOCUMENTS

The Company adopted the Articles, a copy of which has been posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://chsc.com.hk). There had been no change in the Company's constitutional documents during the FY2021.

INDEPENDENT AUDITOR'S REPORT

LINKSFIELD
CPA LIMITED

TO THE SHAREHOLDERS OF CHINA SUPPLY CHAIN HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Supply Chain Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 45 to 115, which comprise:

- the consolidated statement of financial position as at 30 June 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

— revenue recognition for provision of building maintenance services and renovation services and recognition of contract assets;

— impairment for trade receivable and contract assets; and

— impairment for deposit and other receivables, loan and interest receivable and consideration receivable

Key Audit Matters	How our audit addressed the Key Audit Matters
Revenue recognition for provision of building maintenance services and renovation services and recognition of contract assets Refer to Note 2.20, Note 2.21, Note 4(a) and Note 6 to the consolidated financial statements. For the year ended 30 June 2021, the Group's revenue as recognised from provision of building maintenance services and renovation services amounted to approximately HK$319,330,000 and the Group's contract assets as arisen from provision of building maintenance service and renovation services amounted to approximately HK$63,117,000 as at 30 June 2021. Revenue from provision of building maintenance services and renovation services are recognised over time by measuring the progress towards completion of the Group's performance obligations as set out in respective contracts.	We performed the following procedures to address the key audit matter: • Understood management's internal control on the revenue recognition for provision of building maintenance services and renovation services and recognition of contract assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors; • Evaluated and tested, on a sample basis, the key controls over the revenue recognition from provision of building maintenance services and renovation services and recognition of contract assets;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matters

Revenue recognition for provision of building maintenance services and renovation services and recognition of contract assets (Continued)

The Group has used the output method to estimate the progress of each performance obligation satisfied over time by reference to the value of construction works completed to date (as certified by external architects, surveyors or other representatives as appointed by customers (collectively the "External Technicians") as a proportion of the total contract value of the relevant construction contracts.

Contract assets arise when the Group has performed certain construction works but the Group's right to consideration is not yet unconditional, based on factors other than passage of time.

The determination of the estimated value of the construction works completed to date for different projects involved significant management's judgment and estimate which may have significant impact on the amount and timing of revenue recognised.

We focused on this area because the magnitude of revenue as recognised from provision of building maintenance services and renovation services during the year and the contract assets as at the end of reporting period are significant and determining the value of the construction works completed and contract assets to date for the purpose of recognising revenue from provision of construction works over time involved significant management's judgment and estimate.

How our audit addressed the Key Audit Matters

- Reviewed, on a sample basis, the key terms and conditions of material construction contracts;

- Checked, on a sample basis, the value of the certified construction works completed to date for different projects as used in determining the amounts of revenue recognised for certified construction works against the amounts as set out in the underlying supporting certificates issued by the External Technicians; and

- Discussed with management and project managers to understand the extent of completion of the construction works of different projects in progress.

Based on the procedures performed, we found that the judgment and estimate adopted by management in the accounting for revenue recognition for provision of building maintenance services and renovation services and recognition of contract assets were supportable by available evidence.

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment for trade receivables and contract assets Refer to Note 2.10.4, Note 4(b) and Note 17 to the consolidated financial statements. As at 30 June 2021, the Group had gross trade receivables and contract assets of approximately HK$47,969,000 and HK$63,117,000, respectively and, the provision for impairment of trade receivables and contract assets of approximately HK$1,079,000 and HK$Nil, respectively. Provision is made for lifetime expected credit losses ("**ECL**") on trade receivables and contract assets. The Group applies the simplified approach permitted by HKFRS 9 to measure the ECL of trade receivables and contract assets. Trade receivables and contract assets are assessed individually for debtors with material carrying amount or known financial difficulties or significant doubt on collection of receivables. ECL are also estimated collectively by grouping the remaining debtors based on shared credit risk characteristics by reference to the nature and size of debtors, and applying ECL rates to the respective gross carrying amount of the trade receivables and contract assets. The ECL rates are based on estimation about risk of default, the corresponding historical credit loss experience, ageing of overdue receivable, and adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the debtors to settle the receivables.	We performed the following procedures to address the key audit matter: • Understood, evaluated and validated, on a sample basis, the key control procedures over the management's estimation of ECL allowance and periodic review of aged receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated with estimating the ECL; • Obtained management's assessment on the ECL allowance of receivables. We corroborated and validated, on a sample basis, management's assessment based on the correspondence with the customers, evidence from external sources including the relevant market research regarding the relevant forward-looking information such as macroeconomic factors used in management's assessment; • Challenged management's estimation of the risk of default and ECL rate referencing to the debtors' credit information including their financial positions and ability of repayment and collaborated management's explanations with publicly available information and supporting evidence; and • Tested, on a sample basis, the accuracy of information used by management to develop the credit rating, including aging analysis of trade receivables and contract assets, by checking to the relevant sales invoices and certified construction progress report;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment for trade receivables and contract assets (Continued) We focused on this area due to the magnitude of the trade receivables and contract assets and the estimation and judgment involved in determining the ECL allowance of the gross trade receivables and contract assets.	• Considered the competency, capability and objectivity of the independent, professional and qualified valuer by considering its qualification, relevant experience and relationship with the Group; • Involved our internal valuation expert to develop an auditor's point estimate in assessing the ECL allowance including forward-looking information; and • Tested, on a sample basis, the subsequent settlement of trade receivables and contract assets against bank receipts. Based upon the above, we found that the estimation and judgment made by management in respect of the ECL allowance and the collectability of trade receivables and contract assets were supportable by the available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matters

Impairment for deposits and other receivables, loan and interest receivable and consideration receivable ("Receivables")

Refer to Note 2.10.4, Note 4(c), Note 17, Note 18 and Note 19 to the consolidated financial statements.

As at 30 June 2021, the Group had gross deposits and other receivables, loan and interest receivable and consideration receivable of approximately HK$21,950,000, HK$11,801,000 and HK$10,510,000, respectively and, the provision for impairment of deposits and other receivables, loan and interest receivable and consideration receivable of approximately HK$1,129,000, HK$Nil and HK$1,410,000, respectively. Provision is made for lifetime ECL on Receivables.

The Group applies the general approach to measure the ECL of Receivables. Management assessed the ECL based on estimation about risk of default, expected loss rates and whether there has been any significant increase in credit risk since initial recognition for Receivables. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, including the credit loss experience, settlement records, internal credit ratings, collateral values, relationships with debtors and other factors that impacted their ability of repayment. Management also took into account of existing market conditions and forward-looking information.

We focused on this area because the carrying values of Receivables are significant to the consolidated financial statements and management's impairment assessment of Receivables require the use of significant judgment and estimate.

How our audit addressed the Key Audit Matters

We performed the following procedures to address the key audit matter:

- Understood control procedures over the management's estimation of ECL allowance and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated with estimating the ECL;

- Obtained management's assessment on the ECL allowance of Receivables. We corroborated and validated, on a sample basis, management's assessment based on the historical settlement pattern, correspondence with the customers, evidence from external sources including the relevant market research regarding the relevant forward-looking information such as macroeconomic factors used in management's assessment;

- Challenged management's estimation of the risk of default and ECL rate referencing to the debtors' credit information including settlement records and ability of repayment and collaborated management's explanations with publicly available information and supporting evidence;

- Checked the mathematical accuracy of the calculation of impairment provision of Receivables;

- Considered the competency, capability and objectivity of the independent, professional and qualified valuer by considering its qualification, relevant experience and relationship with the Group;

- Involved our internal valuation expert to develop an auditor's point estimate in assessing the ECL allowance including forward-looking information and the fair value of collateral; and

- Tested, on a sample basis, the subsequent settlement of Receivables against bank receipts.

Based upon the above, we found that the estimation and judgment made by management in respect of the ECL allowance and the collectability of Receivables were supportable by the available evidence.

INDEPENDENT AUDITOR'S REPORT

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 AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kwok Chi Kan.

Linksfield CPA Limited
Certified Public Accountants

Hong Kong, 3 April 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	**2021 HK$'000**	2020 HK$'000
Revenue	6	**319,330**	380,505
Cost of sales	8	**(298,102)**	(362,382)
Gross profit		**21,228**	18,123
Other income and gains	7	**5,022**	3,373
Provision for impairment loss on financial and contract assets, net of reversal	17	**(1,405)**	(2,213)
Administrative expenses	8	**(30,757)**	(33,745)
Operating loss		**(5,912)**	(14,462)
Finance costs	10	**(71)**	(85)
Loss before income tax		**(5,983)**	(14,547)
Income tax (expense)/credit	11	**(7)**	38
Loss for the year		**(5,990)**	(14,509)
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Fair value change of financial assets at fair value through other comprehensive income ("**FVTOCI**")		**–**	2,541
Other comprehensive income for the year		**–**	2,541
Total comprehensive loss for the year		**(5,990)**	(11,968)
(Loss)/profit for the year attributable to:			
— Owners of the Company		**(6,017)**	(14,493)
— Non-controlling interests		**27**	(16)
		(5,990)	(14,509)
Loss per share attributable to the owners of the Company (in HK cents)			
Basic and diluted	12	**(0.11)**	(0.26)
Total comprehensive (loss)/income for the year attributable to:			
— Owners of the Company		**(6,017)**	(11,952)
— Non-controlling interests		**27**	(16)
		(5,990)	(11,968)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**2,484**	3,845
Right-of-use assets	16	**1,697**	290
Rental deposit	17	**–**	150
		4,181	4,285
Current assets			
Trade and other receivables	17	**68,904**	90,843
Consideration receivable	18	**9,100**	21,400
Loan and interest receivable	19	**11,801**	12,088
Contract assets	6(b)	**63,117**	51,880
Tax recoverable		**869**	1,669
Time deposits with original maturity over three months	20(c)	**46,500**	31,500
Pledged bank deposits	20(b)	**1,274**	1,435
Cash and cash equivalents	20(a)	**38,092**	37,076
		239,657	247,891
Total assets		**243,838**	252,176
EQUITY			
Equity attributable to the owners of the Company			
Share capital	24	**11,189**	11,189
Reserves		**132,599**	138,616
		143,788	149,805
Non-controlling interests		**646**	619
Total equity		**144,434**	150,424

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

	Notes	**2021 HK$'000**	2020 HK$'000
LIABILITIES			
Non-current liabilities			
Long services payment obligations	22	**530**	499
Lease liabilities	16	**33**	–
Deferred income tax liabilities	23	**429**	422
		992	921
Current liabilities			
Trade and other payables	21	**97,059**	100,555
Lease liabilities	16	**1,353**	276
		98,412	100,831
Total liabilities		**99,404**	101,752
Total equity and liabilities		**243,838**	252,176

The consolidated financial statements on pages 45 to 115 were approved by the Board of Directors on 3 April 2023 and were signed on its behalf by:

MA Huijun
Director

LAI Aizhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Attributable to the owners of the Company							
	Share capital	**Share premium**	**Other reserve** (Note)	**Investment revaluation reserve**	**Retained earnings**	**Sub-Total**	**Non-controlling interests**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 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								
Fair value change of financial assets at FVTOCI	–	–	–	2,541	–	2,541	–	2,541
Total comprehensive income/(loss) for the year	–	–	–	2,541	(14,493)	(11,952)	(16)	(11,968)
Transfer of investment revaluation reserve upon disposal of financial assets at FVTOCI	–	–	–	(2,516)	2,516	–	–	–
At 30 June 2020 and 1 July 2020	11,189	77,790	(480)	–	61,306	149,805	619	150,424
(Loss)/profit for the year	–	–	–	–	(6,017)	(6,017)	27	(5,990)
Other comprehensive loss for the year	–	–	–	–	–	–	–	–
Total comprehensive (loss)/income for the year	–	–	–	–	(6,017)	(6,017)	27	(5,990)
At 30 June 2021	11,189	77,790	(480)	–	55,289	143,788	646	144,434

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.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash generated from operating activities	25(a)	**3,338**	11,888
Hong Kong profit tax refunded/(paid)		**800**	(1,232)
Net cash generated from operating activities		**4,138**	10,656
Cash flows from investing activities			
Placement of time deposits with original maturity over three months		**(134,500)**	(146,500)
Withdrawal of time deposits with original maturity over three months		**119,500**	125,000
Withdrawal/(placement) of pledged bank deposits		**161**	(24)
Net cash inflow/(outflow) arising on disposal of subsidiaries	28	**31**	(2)
Purchase of property, plant and equipment		**(219)**	–
Proceeds from disposal of property, plant and equipment	25(c)	**914**	170
Proceeds from disposal of financial assets at FVTOCI		**–**	4,490
Proceeds from disposal of subsidiaries in prior years	18	**10,890**	–
Bank interest received		**448**	534
Settlement of a loan receivable		**1,398**	9,645
Advancement of a loan receivable		**–**	(10,581)
Net cash used in investing activities		**(1,377)**	(17,268)
Cash flows from financing activities			
Repayment of bank borrowings	25(b)	**–**	(2,146)
Repayment of leases liabilities	25(b)	**(1,672)**	(2,253)
Interest paid	25(b)	**(71)**	(85)
Net cash used in financing activities		**(1,743)**	(4,484)
Net increase/(decrease) in cash and cash equivalents		**1,018**	(11,096)
Cash and cash equivalents at the beginning of the year		**37,076**	48,172
Effect of foreign exchange rate changes		**(2)**	–
Cash and cash equivalents at the end of the year	20(a)	**38,092**	37,076

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

1 GENERAL INFORMATION

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

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in Note 14.

The consolidated financial statements are presented in thousands of Hong Kong dollar ("**HK$'000**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New standards, amendments to standards and interpretation adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing 1 July 2020:

- Definition of Material — amendments to HKAS 1 and HKAS 8
- Definition of a Business — amendments to HKFRS 3
- Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting
- Covid-19 — Related Rent Concessions — amendments to HKFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standards, amendments to standards, interpretations and accounting guideline issued but not yet effective

The following new standards, amendments to standards, interpretations and accounting guidelines that have been published but not effective during the year and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9, and HKFRS 16 (Amendments)	Interest rate benchmark reform — phase 2	1 January 2021
HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 (amendments)	1 April 2021
Annual Improvements Project	Annual Improvements 2018–2020 Cycle (amendments)	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37	Narrow-Scope Amendments (amendments)	1 January 2022
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5-Merger Accounting for Common Control Combinations	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current (amendments)	1 January 2024
Amendments to HKAS 1	Non-current liabilities with Covenants (amendments)	1 January 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standards, amendments to standards, interpretations and accounting guideline issued but not yet effective (Continued)

		Effective for annual periods beginning on or after
Amendments to HKAS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
HK Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (amendments)	To be determined

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new standards, amendments to existing standards, interpretations and accounting guideline. These standards and amendments are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements. The Group intends to adopt the above new standards, amendments to existing standards interpretations and accounting guideline when they become effective.

2.2 Principles of consolidation

Subsidiaries

Subsidiaries are all entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation (Continued)

Subsidiaries (Continued)

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

2.3 Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired entity,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combination (Continued)

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement in profit or loss and other comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of profit or loss and other comprehensive income.

2.4 Separate financial statements

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

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

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, who makes strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss. Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income on a net basis within other gains/(losses), net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 *Foreign currency translation* (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Currency translation difference arising are recognised in other comprehensive income.

2.7 *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Leasehold improvement	Over the shorter of the term of lease or 25% per annum

For other property, plant and equipment, they are depreciated on diminishing balance method at their estimated depreciation rates as below:

Machinery and equipment	15% per annum
Furniture, fixtures and office equipment	15% per annum
Motor vehicles	15% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each financial year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and

- makes any adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,

- any lease payments made at or before the commencement date less any lease incentives received, and

- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Leases (Continued)

Payments associated with short-term leases of premises and all leases of low-valued assets are recognised on a straight-line basis as an expense in statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Taxation

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

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

2.9 Impairment of non-financial assets

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

2.10 Investments and other financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Investments and other financial assets (Continued)

2.10.1 Classification (Continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of comprehensive income. Impairment losses are presented as separate line item in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Investments and other financial assets (Continued)

2.10.4 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses (the "**ECL**") associated with its financial assets measured at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Impairment on other financial assets at amortised cost is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

The Group applies the general approach In HKFRS 9 to measure the ECL, which uses a three-stage model to calculate the loss allowances. According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month ECL is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime ECL is recognised as loss allowance.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime ECL is recognised as loss allowance.

Assessment of significant increase in credit risk

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). 'Significant' does not mean statistically significant nor is it reflective of the extent of the impact on the Group's financial statements. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria, e.g. payment being past due by more than certain amounts of days.

Assessment of credit-impaired

Credit-impaired financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are at least 90 days past due in respect of principal and interest payments and/or where the assets are otherwise considered unlikely to pay, such as bankruptcy, fraud or death. This definition is consistent with internal credit risk management and the regulatory definition of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Group or the counterparty.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.

Trade and other receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

Current income tax for current and prior periods is recognised at the amount expected be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the consolidated statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the financial year period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax (Continued)

(iii) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

2.17 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Bonus plans

The expected cost of bonus payments is recognised as a liability and an expense when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus payments are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

The Group has established a mandatory provident fund scheme ("**MPF Scheme**") in Hong Kong. The assets of the MPF Scheme are held in separate trustee-administered funds. Both the Group and the employees are required to contribute 5% of the employees' monthly relevant income up to a capped amount per employee.

The contributions to the MPF Scheme are recognised as employee benefit expense in the statement of comprehensive income when they are due. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(iv) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in consolidated statement of financial position.

2.18 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.19 Contingent liabilities

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

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point of time.

Revenue from building maintenance and/or renovation contract

The Group is a building maintenance and renovation service provider in Hong Kong. A contract with a customer is classified by the Group as a construction contract when the contract relates to work on assets under the control of the customer and therefore the Group's building maintenance and renovation activities create or enhance an asset under the customer's control.

The Group has primary responsibility to fulfilment of the contract due to the integration of construction work that the Group assumes primary responsibility for the quality of management and completion, and has discretion in selecting subcontractors and discretion of the pricing for subcontractor.

The Group has to identify the performance obligations in contract. A performance obligation is a promise in a contract to transfer a good or service to a customer. Building maintenance services include general upkeep, restoration and improvement of existing facilities and facility components of buildings and surroundings. Building maintenance contract will provide a significant integration service including purchase of materials, arrangement of subcontractor and labour for the provision of services and the goods and services within the contract will be highly dependent on or highly integrated with other goods or services. As such, different elements of a building maintenance contract are accounted as a single performance obligation. The Group treated all of the building maintenance contracts as a single performance obligation, as the building maintenance works are not capable of being distinct.

Renovation works include alteration, upgrading and fitting-out works, installation of hardware and equipment; and other renovation works that upgrade the general condition of buildings and their facilities. Renovation contract will also provide a significant integration service including purchase of materials, arrangement of subcontractor and labour for the provision of services and the goods and services within the contract will be highly dependent on or highly integrated with other goods or services. As such, different elements of a renovation contract are accounted as a single performance obligation. The Group treated all of the renovation contracts as a single performance obligation, as the renovation works are not capable of being distinct.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

Revenue from building maintenance and/or renovation contract (Continued)

When determining the transaction price at the inception of the contract, the Group takes into account the variable consideration based on the contract terms and considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purpose. The Group assessed that there is no significant financing component in building maintenance and/or renovation contracts as the payment schedule commensurate closely to the Group's performance. Therefore, transaction price is not adjusted for any financing component.

Under HKFRS 15, revenue is recognised when, or as, performance obligations are satisfied through transfer of control of goods or services to a customer. A performance obligation is satisfied over time when at least 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.

The Group recognised the revenue from the building maintenance and renovation contract progressively over time using the output method, which is to recognise revenue based on the value of construction works completed to date (as certified by external architects, surveyors or other representatives as appointed by customers (collectively the "external technicians")) as a proportion of the total contract value of the relevant construction contracts, that best depict the Group's performance in transferring control of goods or services.

The likelihood of the Group suffering contractual penalties or liquidated damages for late completion are taken into account in estimating contract transaction prices, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The contractual penalties, or liquated damages and modification of contracts are treated as variable consideration under HKFRS 15 and the amounts included in revenue to the extent that it is highly probable that contract revenue will not reverse. The Group undertakes continuing assessment to variable considerations.

There is generally no material cost of obtaining contracts of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceeds the measure of the remaining unsatisfied performance obligations.

In the consolidated statement of financial position, the contract assets mainly consist of unbilled revenue and retention receivables arising from the building maintenance and renovation contracts. Contract liabilities mainly consist of the Group's obligations to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers.

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

2.22 Interest income

Interest income is recognised using the effective interest method.

2.23 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants are recognised as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

3 FINANCIAL AND CAPITAL RISK MANAGEMENT

The Group's activities expose it to a variety of finance risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to inimizee potential adverse effects on the Group's financial performance. The Group did not use derivative financial instruments to hedge its risk exposures.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognised assets or liabilities denominated in a currency that is not the functional currency of the relevant group entity.

The majority of the Group's transactions were denominated in its functional currency of the relevant group entity. There are no significant financial assets and financial liabilities denominated in currencies other than the functional currency for the year and at the year end. The Group is therefore not exposed to significant exchange risk.

Management closely monitors foreign currency exchange exposure and will take measures to minimise the currency translation risk. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure as management considers its exposure is not significant.

(ii) Cash flow interest rate risk

The Group's cash flow interest rate risk mainly arises from loan receivable, time deposits with original maturity over three months, pledged bank deposits, and bank balances, which carry interest at market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

As at 30 June 2021, 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 amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade and other receivables, consideration receivable, loan and interest receivable, contract assets, time deposits with original maturity over three months, pledged bank deposits and bank balances. The carrying amounts of these balances represent the 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.

The Group applies the simplified approach permitted by HKFRS 9 to measure the ECL of trade receivables and contract assets.

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

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 year. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset at the end of 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

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

- 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

Trade receivables and contract assets

The Group applies the simplified approach permitted by HKFRS 9 to measure the ECL of trade receivables and contract assets. Trade receivables and contract assets are assessed individually for debtors with material carrying amount or known financial difficulties or significant doubt on collection of receivables. ECL are also estimated collectively by grouping the remaining debtors based on shared credit risk characteristics by reference to the nature and size of debtors, and applying ECL rates to the respective gross carrying amount of the trade receivables and contract assets. The ECL rates are based on estimation about risk of default, the corresponding historical credit loss experience, ageing of overdue receivable, and adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the debtors to settle the receivables.

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 2021

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The loss allowance for trade receivables and contract assets as at 30 June 2021 and 2020 was determined as follows:

As at 30 June 2021	**Expected loss rate**	**Gross carrying amount HK$'000**	**Lifetime ECL HK$'000**	**Net carrying amounts HK$'000**
Trade receivables — individual assessment	**2.2%**	**47,969**	**(1,079)**	**46,890**
Contract assets	**0%**	**63,117**	**–**	**63,117**

As at 30 June 2020	Expected loss rate	Gross carrying amount HK$'000	Lifetime ECL HK$'000	Net carrying amounts HK$'000
Trade receivables — collective assessment	0%	57,720	–	57,720
Trade receivables — individual assessment	7.2%	17,447	(1,249)	16,198
Contract assets	0%	51,880	–	51,880

During the years ended 30 June 2021 and 2020, the Group estimate the ECL on contract assets to be minimal.

The movement in the allowance for impairment of trade receivables and contract assets are set out below:

	2021 HK$'000	2020 HK$'000
At the beginning of the year	**1,249**	–
(Reversal of)/provision for loss allowance	**(170)**	1,249
At the end of the year	**1,079**	1,249

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Trade receivables and contract assets (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, such as government department and public section organisation (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

Consideration receivable, deposits and other receivables and loan and interest receivable

The Group applies the general approach to measure the ECL of consideration receivable, deposits and other receivables and loan and interest receivable. The Group assessed the ECL based on estimation about risk of default and expected loss rates, and judgment was used in making these assumptions and selecting the inputs to the impairment calculation, including the credit loss experience, settlement records, internal credit ratings, collateral values, relationships with debtors and other factors that impacted their ability of repayment. The management also took into account of existing market conditions and forward-looking information. However, there has been a significant increase in credit risk of consideration receivable, certain deposits and other receivables and loan and interest receivable and thus the measurement of the loss allowance during the year ended 30 June 2021 and 2020 was based on the lifetime ECL. As the consideration receivable and loan and interest receivable were fully secured by collaterals with high market value, the management considers that the credit risk in respect of the consideration receivable and loan and interest receivable is significantly reduced and the ECL is not material. For deposits and other receivables, management considered it mainly represented by refundable deposit for purchase of materials that are not secured by collaterals, provision for ECL was made during the years ended 30 June 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Consideration receivable, deposits and other receivables and loan and interest receivable (Continued)

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

Category	**Internal credit rating**	**12-month or lifetime ECL**
Consideration receivable	Doubtful	Lifetime ECL — not credit impaired
Deposits and other receivables	Doubtful	Lifetime ECL — not credit impaired
Loan and interest receivable	Doubtful	Lifetime ECL — not credit impaired

The receivables relating to debtors with known financial difficulties or significant doubt on collection of receivables are assess individually for provision for impairment allowance. As at 30 June 2021 and 2020, the balances of loss allowance in respect of these individually assessed receivables as follows:

	Deposits and other receivables HK$'000	**Consideration receivable** HK$'000
As at 1 July 2019	–	–
Increase in the loss allowance recognised in consolidated statement of profit or loss and other comprehensive income during the year	964	–
As at 30 June 2020 and 1 July 2020	964	–
Increase in the loss allowance recognised in consolidated statement of profit or loss and other comprehensive income during the year	165	1,410
As at 30 June 2021	1,129	1,410

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Time deposits with original maturity over three months, pledged bank deposits and bank balances

The credit risk on deposits with banks is limited because the counterparties are several reputable and creditworthy banks. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past. Therefore, ECL rate of cash at bank is assessed to be immaterial and no provision was made as at 30 June 2021 and 2020.

(c) 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. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

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.

As at 30 June 2021	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade and other payables	79,505	–	79,505	79,505
Lease liabilities	1,363	67	1,430	1,386
	80,868	67	80,935	80,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

3 FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at 30 June 2020	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade and other payables	89,607	–	89,607	89,607
Lease liabilities	323	–	323	276
	89,930	–	89,930	89,883

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the members and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group represents equity attributable to owners of the Group comprising issued share capital and retained earnings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the members, return capital to the members, issue new shares or sell assets to reduce debt.

3.3 Fair value estimation

Fair value measurements by level of a fair value measurement hierarchy are not disclosed as no financial assets are stated at fair value on the three level hierarchy basis in the consolidated statement of financial position.

The carrying amounts of Group's financial assets and liabilities, including trade and other receivables, consideration receivable, loan and interest receivable, contract assets, time deposits with original maturity over three months, pledged bank deposits, cash and cash equivalents, trade and other payables approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

3.4 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements as at 30 June 2021 and 2020.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition in respect of building maintenance services and renovation services

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 by reference to the value of construction works completed to date (as certified by external architects, surveyors or other representatives as appointed by customers (collectively the "external technicians") as a proportion of the total contract value of the relevant construction contracts, 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.

(b) Loss allowance of trade receivables and contract assets

The Group applies the simplified approach permitted by HKFRS 9 to measure the ECL which uses a lifetime ECL allowance for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with material carrying amount or known financial difficulties or significant doubt on collection of receivables. ECL are also estimated collectively by grouping the remaining debtors based on shared credit risk characteristics by reference to the nature and size of debtors, and applying ECL rates to the respective gross carrying amount of the trade receivables and contract assets. The ECL rates are based on estimation about risk of default, the corresponding historical credit loss experience, ageing of overdue receivable, and adjusted to reflect current and forward-looking information.

The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation. 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 consoildated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(c) Loss allowance of deposits and other receivables, consideration receivable and loan and interest receivable

The Group makes provision for impairment of deposits and other receivables, consideration receivable and loan and interest receivable based on estimation about risk of default, expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the credit loss experience, settlement records, internal credit ratings, collateral values, relationships with debtors, existing market conditions and forward-looking information.

(d) Current and deferred income tax

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current tax and deferred tax assets and liabilities in the period in which such determination is made. Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 SEGMENT INFORMATION

(a) Segment revenue and results

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM.

The Company's executive directors monitor the operating results of its operating segment for the purpose of making decisions about resource allocation and performance assessment.

The CODM has been identified as the executive directors of the Company. The executive directors consider the segment from a business perspective. The Group has two (2020: two) operating segments that qualify as reporting segment under HKFRS 8 and the information that is regularly reviewed by the executive directors for the purposes of allocating resources and assessing performance of the operating segment.

5 SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

The executive directors assess the performance based on a measure of loss before income tax, and consider all businesses are included in the two segments:

(i) building maintenance; and

(ii) renovation

The segment results and other segment items are as follows:

	Segment revenue		Segment results	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Building maintenance service	**214,559**	249,674	**16,799**	10,667
Renovation services	**104,771**	130,831	**4,170**	4,809
Total segment	**319,330**	380,505	**20,969**	15,476
Other income and gains			**5,022**	3,373
Provision for impairment loss on financial and contract assets			**(1,575)**	(964)
Administrative expenses			**(30,341)**	(32,347)
Finance costs			**(58)**	(85)
Loss before income tax			**(5,983)**	(14,547)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment results represent the profit earned by each segment without allocation of other income and gains, provision for impairment loss on certain financial assets, administration expenses 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 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

5 SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

	2021 **HK$'000**	2020 HK$'000
Segment assets		
Building maintenance	**47,813**	60,368
Renovation	**64,848**	69,944
Total segment assets	**112,661**	130,312
Unallocated corporate assets	**131,177**	121,864
Total assets	**243,838**	252,176
Segment liabilities		
Building maintenance	**34,477**	39,449
Renovation	**47,217**	51,456
Total segment liabilities	**81,694**	90,905
Unallocated corporate liabilities	**17,710**	10,847
Total liabilities	**99,404**	101,752

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, rental deposit, certain other receivables, consideration receivable, loan and interest receivable, tax recoverable, time deposits with original maturity over three months, pledged bank deposits and cash and cash equivalent as these assets are managed on a group basis.

- all liabilities are allocated to operating segments other than long service payment obligations, certain lease liabilities, deferred income tax liabilities and certain other payables as these liabilities are managed on a group basis.

5 SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

In measuring the Group's segment assets and liabilities, lease liabilities of approximately HK$426,000 (2020: HK$40,000) were allocated to building maintenance segment. However, the relevant interests on lease liabilities of approximately HK$13,000 (2020: HK$28,000) were not included in the measurement of segment results. Should the interests on lease liabilities (2020: same) be included in the measurement of segment profit, the segment profit of the building maintenance segment for the year ended 30 June 2021 would be approximately HK$16,786,000 (2020: HK$10,639,000).

(c) Other segment information

	Building maintenance HK$'000	Renovation HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 30 June 2021				
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	(72)	–	(147)	(219)
Additional to right-of-use assets	(978)	–	(1,804)	(2,782)
Depreciation of property, plant and equipment	(195)	–	(482)	(677)
Depreciation of right-of-use assets	(220)	–	(1,155)	(1,375)
Reversal of impairment loss on financial and contract assets	–	170	–	170
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	–	–	11	11
Bank interest income	–	–	448	448
Loan interest income	–	–	1,111	1,111
Provision for impairment loss on financial assets	–	–	(1,575)	(1,575)
Finance costs	(13)	–	(58)	(71)
Income tax expense	–	–	(7)	(7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

5 SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

	Building maintenance HK$'000	Renovation HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 30 June 2020				
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 financial and contract assets	(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 financial assets	–	–	(964)	(964)
Finance costs	(28)	–	(57)	(85)
Income tax credit	–	–	38	38

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

5 SEGMENT INFORMATION (Continued)

(d) Geographical information

The Group's revenue 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.

(e) Information about major customers

For the year ended 30 June 2021, there were two customers (2020: one) which individually contributed over 10% of the Group's total revenue. During the years ended 30 June 2021 and 2020, the revenue contributed from each of these customers was as follows:

	2021 **HK$'000**	2020 HK$'000
Customer A	**214,531**	249,653
Customer B	**83,291**	N/A

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

	2021 **HK$'000**	2020 HK$'000
Revenue from contracts with customers within the scope of HKFRS15:		
Rendering of services, recognised over time		
— Building maintenance services	**214,559**	249,674
— Renovation services	**104,771**	130,831
	319,330	380,505

Transaction price allocated to the remaining performance obligations

As at 30 June 2021, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) is approximately HK$251,700,000 (2020: HK$378,901,000). 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 (2020: 12–24 months).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

(b) Performance obligations for contracts with customers

The Group provides services on (1) building maintenance and (2) renovation. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised by reference to the progress towards complete satisfaction of relevant performance obligation using output method.

A contract asset is recognised over the period in which the construction contracts are performed representing the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

(b) Construction contracts (Continued)

Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2021 HK$'000	2020 HK$'000
Total contract assets:		
— Building maintenance services	**35,449**	32,638
— Renovation services	**27,668**	19,242
	63,117	51,880
Comprising:		
Unbilled revenue of building maintenance services	**35,449**	32,638
Unbilled revenue of renovation services	**22,048**	12,380
Retention receivables of renovation services	**5,620**	6,862
Total contract assets	**63,117**	51,880

Contract assets are related to both building maintenance and renovation contracts. The balance of contract assets balance increased as there were more services provided but yet to be billed as at 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

(b) Construction contracts (Continued)

Assets and liabilities related to contracts with customers (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. Details of the ECL assessment on contract assets are disclosed in Note 3.1(b) to the consolidated financial statements.

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

No contract liabilities building maintenance and renovation contracts were recognised as at year end as there was no prepayment for the contract activities at year end.

7 OTHER INCOME AND GAINS

	2021 **HK$'000**	2020 HK$'000
Bank interest income	**448**	534
Loan interest income	**1,111**	1,187
Gain on disposal of property, plant and equipment	**11**	7
Net income from trading of construction materials (Note (i))	**–**	328
Gain on disposal of subsidiaries (Note 28)	**142**	325
Government subsidy (Note (ii))	**3,211**	692
Others	**99**	300
	5,022	3,373

Notes:

(i) During the year ended 30 June 2020, the amount represented net income from the trading of construction materials of approximately HK$328,000.

(ii) During the year ended 30 June 2021, the amount represented cash subsidies from the Employment Support Scheme granted by the Government of the Hong Kong Special Administrative Region as part of the relief measures on Covid-19 pandemic (2020: same). There was no unfulfilled condition in respect of the grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

8 EXPENSES BY NATURE

	2021	2020
	HK$'000	HK$'000
Auditor's remuneration	**1,088**	1,280
Depreciation of property, plant and equipment (Note 15)	**677**	652
Depreciation of right-of-use assets (Note 16)	**1,375**	1,685
Employee benefit expenses (including directors' emoluments) (Note 9)	**22,817**	33,641
Expenses relating to short-term lease	**–**	418
Subcontracting expenses	**283,957**	340,176
Consultancy fee	**6,658**	7,444
Transportation expenses	**552**	557
Legal and professional fee	**3,548**	1,508
Levy	**989**	1,746
Motor vehicle expenses	**1,114**	1,811
Others	**6,084**	5,209
Total cost of sales and administrative expenses	**328,859**	396,127

9 EMPLOYEE BENEFIT COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2021	2020
	HK$'000	HK$'000
Fees	**528**	484
Wages, salaries, and other benefits	**21,560**	32,128
Retirement fund contributions	**698**	962
Long service payment obligation (Note 22)	**31**	67
	22,817	33,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

9 EMPLOYEE BENEFIT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Benefits and interest of directors

(i) Directors' emoluments

The remuneration of directors for each of the years ended 30 June 2021 and 2020 are set out below:

	Fees HK$'000	Wages, salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Retirement fund contributions HK$'000	Total HK$'000
For the year ended 30 June 2021					
Executive directors					
Ma Huijun (Chairman) (Note viii)	–	960	–	–	960
Dai Jian (Vice chairman and Chief Executive Officer ("CEO")) (Note i, viii and ix)	–	1,200	–	18	1,218
Dai Ming (Note viii and ix)	–	600	–	18	618
Lai Aizhong (Note viii)	–	600	–	–	600
Non-executive directors					
Zhang Junze (Note viii)	–	180	–	–	180
Independent non-executive directors					
Chan Foon (Note ii)	84	–	–	–	84
Guo Biao (Note iii, viii and ix)	84	–	–	–	84
Song Dan (Note iv and viii)	132	–	–	–	132
Huang Shuhui	132	–	–	–	132
Wong Carol Ka Low (Note v)	44	–	–	–	44
Ross Yu Limjoco (Note vi)	52	–	–	–	52
	528	3,540	–	36	4,104

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

9 EMPLOYEE BENEFIT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Benefits and interest of directors (Continued)

(i) Directors' emoluments (Continued)

The remuneration of directors for each of the years ended 30 June 2021 and 2020 are set out below: (Continued)

	Fees HK$'000	Wages, salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Retirement fund contributions HK$'000	Total HK$'000
For the year ended 30 June 2020					
Executive directors					
Ma Huijun (Chairman)	–	640	–	–	640
Dai Jian (Vice chairman and CEO) (Note i and ix)	–	1,200	–	18	1,218
Dai Ming (Note ix)	–	600	–	18	618
Lai Aizhong	–	400	–	–	400
Non-executive directors					
Zhang Junze	–	96	–	–	96
Independent non-executive directors					
Chan Foon (Note ii)	132	–	–	–	132
Guo Biao (Note iii and ix)	132	–	–	–	132
Song Dan (Note iv and ix)	132	–	–	–	132
Huang Shuhui	88	–	–	–	88
	484	2,936	–	36	3,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

9 EMPLOYEE BENEFIT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Benefits and interest of directors (Continued)

(i) Directors' emoluments (Continued)

Notes:

(i) Emoluments also included those for service rendered as CEO.

(ii) Resigned as independent non-executive directors on 18 February 2021.

(iii) Resigned as independent non-executive directors on 17 February 2021.

(iv) Resigned as independent non-executive directors on 29 July 2021.

(v) Appointed as independent non-executive directors on 28 February 2021 and resigned on 30 September 2021.

(vi) Appointed as independent non-executive directors on 28 February 2021 and resigned on 12 October 2021.

(viii) Subsequent to the reporting period, the directors agreed to waived their emoluments in aggregate of approximately HK$3,755,000 for the year ended 30 June 2021.

(ix) Subsequent to the reporting period, the directors agreed to waived their emoluments in aggregate of approximately HK$1,164,000 for the year ended 30 June 2020.

9 EMPLOYEE BENEFIT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Benefits and interest of directors (Continued)

(ii) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the year ended 30 June 2021 (2020: Nil).

No payment was made to the directors as compensation for early termination of the appointment during the year ended 30 June 2021 (2020: Nil).

(iii) Consideration provided to third parties for making available directors' services

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the year ended 30 June 2021 (2020: Nil).

(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no other loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors during the year ended 30 June 2021 (2020: Nil).

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 30 June 2021 (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

9 EMPLOYEE BENEFIT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included four directors respectively, whose emoluments were reflected in the analysis presented in Note 9(a) during the year ended 30 June 2021 (2020: one). The emoluments paid/payable to the remaining one individual (2020: four) are as follows:

	2021 HK$'000	2020 HK$'000
Wages, salaries and other benefits	**920**	4,616
Retirement fund contributions	**18**	50
	938	4,666

The emoluments were within the following bands:

	Number of individuals	
	2021 HK$'000	2020 HK$'000
HK$Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**–**	1
	1	4

No director or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group, or as compensation for loss of office.

10 FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interests on:		
Bank borrowings	**–**	25
Lease liabilities	**71**	60
	71	85

11 INCOME TAX (EXPENSE)/CREDIT

No provision of Hong Kong Profits Tax had been made as the estimated assessable profits are set off by the available tax losses during the year ended 30 June 2021 (2020: No assessable profits arising in Hong Kong).

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 2021 and 2020, no provision for EIT was made as there were no assessable profits.

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

The income tax expense/(credit) in the consolidated statement of profit or loss and other comprehensive income represented:

	2021	2020
	HK$'000	HK$'000
Hong Kong profits tax		
Current income tax	**–**	–
Over-provision in prior years	**–**	(4)
	–	(4)
Deferred income tax (Note 23)	**7**	(34)
	7	(38)

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

	2021	2020
	HK$'000	HK$'000
Loss before income tax	**(5,983)**	(14,547)
Tax at the domestic income tax rate of 16.5% (2020: 16.5%)	**(987)**	(2,400)
Tax effect of income not taxable for tax purposes	**(643)**	(198)
Tax effect of expenses not deductible for tax purposes	**1,961**	960
Tax effect of tax loss not recognised	**363**	1,604
Utilisation of tax losses previously not recognised	**(687)**	–
Over-provision in prior years	**–**	(4)
Income tax expense/(credit)	**7**	(38)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

12 LOSS PER SHARE

(a) Basic loss per share

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

	2021 **HK$'000**	2020 HK$'000
Loss attributable to owners of the Company (HK$'000)	**(6,017)**	(14,493)
Weighted average number of ordinary shares in issue (in thousands)	**5,594,000**	5,594,000
Basic loss per share (HK cents)	**(0.11)**	(0.26)

(b) Diluted loss per share

For the years ended 30 June 2021 and 2020, diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares.

13 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 2021 and 2020.

14 SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 30 June 2021 and 2020 are as follows. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of subsidiaries	Place and date of incorporation	Particulars of share capital	Equity interest attributable to the Group 2021	Equity interest attributable to the Group 2020	Principal activities
Directly held by the Company:					
ABO Group Limited	The BVI	United States Dollar ("USD") USD89,600	100%	100%	Investment holding
Sino Baron Group Limited	The BVI	USD1	100%	100%	Investment holding
Indirectly held by the Company:					
Sing Fat Construction Company Limited	Hong Kong	HK$10,200,000	99.61%	99.61%	Provision of building maintenance and renovation services
Richwise Power Investment Limited	Hong Kong	HK$1	100%	100%	Provision of administrative services to group companies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 July 2019					
Cost	150	418	1,796	4,845	7,209
Accumulated depreciation	(122)	(391)	(1,467)	(427)	(2,407)
Net book amount	28	27	329	4,418	4,802
Year ended 30 June 2020					
Opening net book amount	28	27	329	4,418	4,802
Changes in accounting policy (Note a)	–	–	–	(1,751)	(1,751)
Restated opening net book amount	28	27	329	2,667	3,051
Transfer from right-of-use assets (Note b)	–	–	–	1,609	1,609
Disposals					
— Cost	–	–	–	(550)	(550)
— Accumulated depreciation	–	–	–	387	387
Depreciation	(28)	(4)	(66)	(554)	(652)
Closing net book amount	–	23	263	3,559	3,845
At 30 June 2020					
Cost	150	418	1,796	5,904	8,268
Accumulated depreciation	(150)	(395)	(1,533)	(2,345)	(4,423)
Net book amount	–	23	263	3,559	3,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvement HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 30 June 2021					
Opening net book amount	–	23	263	3,559	3,845
Additions	–	–	147	72	219
Disposals					
— Cost	–	–	–	(2,490)	(2,490)
— Accumulated depreciation	–	–	–	1,587	1,587
Depreciation	–	(4)	(98)	(575)	(677)
Closing net book amount	–	19	312	2,153	2,484
At 30 June 2021					
Cost	150	418	1,943	3,486	5,997
Accumulated depreciation	(150)	(399)	(1,631)	(1,333)	(3,513)
Net book amount	–	19	312	2,153	2,484

Notes:

(a) During the year ended 30 June 2020, HKFRS 16 introduces new or amended requirements with respect to lease accounting. 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.

(b) 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.

(c) Depreciation expense approximately of HK$195,000 (2020: HK$148,000) and HK$482,000 (2020: HK$504,000) has been charged in cost of sales and administrative expenses respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

This note provides information for leases where the Group is a lessee.

(a) Balances recognised in the consolidated statement of financial position

Right-of-use assets

	Office premises HK'000	Motor vehicles HK'000	Total HK'000
At 1 July 2019			
Cost	1,833	1,751	3,584
Accumulated depreciation	–	–	–
Net book amount	1,833	1,751	3,584
Year ended 30 June 2020			
Opening net book amount	1,833	1,751	3,584
Depreciation	(1,543)	(142)	(1,685)
Transfer (Note 15(b))	–	(1,609)	(1,609)
Closing net book amount	290	–	290
As at 30 June 2020			
Cost	1,833	142	1,975
Accumulated depreciation	(1,543)	(142)	(1,685)
Net book amount	290	–	290
Year ended 30 June 2021			
Opening net book amount	**290**	**–**	**290**
Additions	**1,804**	**978**	**2,782**
Depreciation	**(1,192)**	**(183)**	**(1,375)**
Closing net book amount	**902**	**795**	**1,697**
As at 30 June 2021			
Cost	**3,637**	**1,120**	**4,757**
Accumulated depreciation	**(2,735)**	**(325)**	**(3,060)**
Net book amount	**902**	**795**	**1,697**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(a) Balances recognised in the consolidated statement of financial position (Continued)

Lease liabilities

	2021 **HK$'000**	2020 HK$'000
Current portion	**1,353**	276
Non-current portion	**33**	–
	1,386	276
Lease liabilities — Office premises	**961**	276
Lease liabilities — Motor vehicles	**425**	–
	1,386	276

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

	2021 **HK$'000**	2020 HK$'000
Depreciation of right-of-use assets:		
Building	**1,192**	1,543
Motor vehicles	**183**	142
	1,375	1,685
Interest expenses on lease liabilities	**71**	60
Expenses relating to short-term leases	**–**	418

Additions to the right-of-use assets during the year were HK$2,782,000 (2020: HK$Nil). The total cash outflow for leases during the year was HK$1,672,000 (2020: HK$2,731,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(c) Lease terms

The Group leases office premises and motor vehicles. Rental contracts are typically made for fixed periods of 1–3 years. Lease terms are negotiated on individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, but certain lease liabilities are effectively secured as the right to the leased assets revert to the lessors in the event of default.

In respect of lease arrangement for 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 2020. During the year ended 30 June 2020, 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.

(d) Extension and termination options

No extension and termination options are included in a number of leases across the Group.

17 TRADE AND OTHER RECEIVABLES

	2021 **HK$'000**	2020 HK$'000
Trade receivables (Note (a))	**47,969**	75,167
Less: loss allowance of trade receivables	**(1,079)**	(1,249)
Net trade receivables	**46,890**	73,918
Prepayments, deposits and other receivables:		
— Advances to subcontractors	**401**	2,262
— Payment in advance	**792**	337
Deposits and other receivables (Note (b))	**21,950**	15,440
Less: loss allowance of other receivables	**(1,129)**	(964)
Net deposits and other receivables	**20,821**	14,476
	22,014	17,075
Non-current portion:		
Rental deposit	**–**	(150)
Current portion	**68,904**	90,843

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

17 TRADE AND OTHER RECEIVABLES (Continued)

(a) *Trade receivables*

The Group normally grants credit terms to its customers ranging from 30 to 45 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	2021 **HK$'000**	2020 HK$'000
Within 90 days	**6,499**	42,140
91 to 180 days	**4,455**	3,177
181 to 365 days	**5,910**	4,580
1 to 2 years	**9,596**	23,081
Over 2 years	**20,430**	940
	46,890	73,918

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

	2021 **HK$'000**	2020 HK$'000
At the beginning of the year	**1,249**	–
(Reversal of)/provision for loss allowance	**(170)**	1,249
At the end of the year	**1,079**	1,249

Details of the credit risks of trade receivables are disclosed in Note 3.1(b) to the consolidated financial statements.

(b) *Deposits and other receivables*

As at 30 June 2021, the gross amount of deposits and other receivables mainly represented receivables from the sales of construction materials of approximately HK$4,491,000 (2020: HK$13,458,000) and a deposit paid for the purchase of building materials of HK$14,000,000 (2020: HK$Nil), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

17 TRADE AND OTHER RECEIVABLES (Continued)

(b) Deposits and other receivables (Continued)

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

	2021 HK$'000	2020 HK$'000
At the beginning of the year	**964**	–
Provision for loss allowance	**165**	964
At the end of the year	**1,129**	964

Details of the credit risks of deposits and other receivables are disclosed in Note 3.1(b) to the consolidated financial statements.

The carrying amounts of trade and other receivables approximate their fair values and are denominated in HK$ as at 30 June 2021 and 2020.

18 CONSIDERATION RECEIVABLE

	2021 HK$'000	2020 HK$'000
Consideration receivable	**9,100**	21,400

As at 30 June 2020 and 2021, gross amount of consideration receivables of approximately HK$21,400,000 and HK$10,510,000 respectively, represented receivables from the disposal of subsidiaries taken place during the year ended 30 June 2019.

Pursuant to the terms and conditions of the disposal agreement to dispose the 100% equity interests in Sino Keiser Limited. ("**Sino Keiser**") and its 55% indirectly held subsidiary (collectively referred to as the "**Disposal Group"**), the purchaser of Disposal Group shall execute a share charge in favour of the Company to charge the entire issued share of Sino Keiser to the Company as security until the consideration amount has been fully settled.

The consideration receivable was partially settled of HK$10,890,000 in September 2020 and the remaining balance was fully settled in March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

18 CONSIDERATION RECEIVABLE (Continued)

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

	2021 **HK$'000**	2020 HK$'000
At the beginning of the year	**–**	–
Provision for loss allowance	**1,410**	–
At the end of the year	**1,410**	–

Details of the credit risks of consideration receivables are disclosed in Note 3.1(b) to the consolidated financial statements.

19 LOAN AND INTEREST RECEIVABLE

	2021 **HK$'000**	2020 HK$'000
Fixed-rate loan and interest receivable	**11,801**	12,088

As at 30 June 2021, included in the Group's loan and interest receivable balance is a single debtor with gross amount of HK$11,801,000 (2020: HK$12,088,000) which is secured by listed shares held by the debtor (2020: Same).

As at 30 June 2021, the balance is secured, interest-free, non-trade in nature and repayable on 30 June 2022 (2020: the balance is secured, carry interest of 9% per annum, non-trade in nature and repayable on 26 March 2021). In March 2023, the balance was fully settled.

Details of the credit risks of consideration receivables are disclosed in Note 3.1(b) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

(a) Cash and cash equivalents

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2021 **HK$'000**	2020 HK$'000
Cash at banks denominated in HK$	**38,092**	37,076

(b) Pledged bank deposits

	2021 **HK$'000**	2020 HK$'000
Fixed deposits denominated in HK$	**1,274**	1,435

As at 30 June 2021, pledged bank deposits represent deposit pledged to a bank to secure performance bonds 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 (Note 27). Pledged bank deposits carried fixed interest rates which range from 0.55% to 1.70% per annum (2020: 0.63% to 1.70%).

(c) Time deposits with original maturity over three months

	2021 **HK$'000**	2020 HK$'000
Fixed deposits denominated in HK$	**46,500**	31,500

As at 30 June 2021, time deposits carried a fixed interest rate which range from 0.25% to 0.70% per annum (2020: 1.40% to 1.90%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

21 TRADE AND OTHER PAYABLES

	2021 **HK$'000**	2020 HK$'000
Trade payables	**73,094**	84,267
Retention money payables (Note a)	**5,229**	4,491
Accrued expenses and other payables (Note b)	**17,957**	9,734
Deferred subsidy income	**–**	1,284
Dividend payable to non-controlling interests	**779**	779
	97,059	100,555

Notes:

(a) As at 30 June 2021, retention money of approximately HK$1,767,000 (2020: HK$349,000) 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 2021, included in accrued expenses and other payables was amount of approximately HK$5,321,000 (2020: HK$1,278,000) representing accrued directors' emoluments. The amount is unsecured, interest-free and repayable on demand.

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

	2021 **HK$'000**	2020 HK$'000
Within 90 days	**36,642**	60,659
91 to 180 days	**12,794**	4,879
181 to 365 days	**12,155**	9,187
1 to 2 years	**9,254**	7,291
Over 2 years	**2,249**	2,251
	73,094	84,267

The carrying amounts of trade and other payables approximate to their fair values, due to the short-term nature. The carrying amounts of the Group's trade and other payables are denominated in HK$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

22 LONG SERVICE PAYMENT OBLIGATIONS

The long service payment obligations is as follows:

	2021 **HK$'000**	2020 HK$'000
At beginning of the year	**499**	432
Provision for the year	**31**	67
At the end of the year	**530**	499

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 2021 and 2020, the amount is calculated based on the principal assumptions stated as below:

	2021 **HK$'000**	2020 HK$'000
Salary inflation rate	**1.20%**	0.00%
Discount rate	**1.30%**	1.63%

23 DEFERRED INCOME TAX

	2021 **HK$'000**	2020 HK$'000
Deferred income tax liabilities:		
— To be settled after one year	**429**	422

23 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax liabilities in respect of accelerated tax depreciation during the year are as follows:

	2021 **HK$'000**	2020 HK$'000
At the beginning of the year	**422**	456
Charged/(credited)to the consolidated statement of profit or loss and other comprehensive income (Note 11)	**7**	(34)
At the end of the year	**429**	422

At the end of the reporting period, the Group has unused tax loss of approximately HK$20,712,000 (2020: HK$22,675,000). No deferred tax has been recognised due to unpredictability of future profit streams. Such tax loss may be carried forward indefinitely.

24 SHARE CAPITAL

	2021 **HK$'000**	2020 HK$'000
Authorised share capital:		
10,000,000,000 ordinary share of HK$0.002 each	**20,000**	20,000
Issued and fully paid:		
5,594,000,000 ordinary share of HK$0.002 each	**11,189**	11,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Notes	**2021 HK$'000**	2020 HK$'000
Loss before income tax		**(5,983)**	(14,547)
Adjustments for:			
Depreciation of property, plant and equipment	15	**677**	652
Depreciation of right-of-use assets	16	**1,375**	1,685
Finance costs	10	**71**	85
Provision for long services payment	9	**31**	67
Gain on disposal of property, plant and equipment	7	**(11)**	(7)
Bank interest income	7	**(448)**	(534)
Loan interest income	7	**(1,111)**	(1,187)
Government subsidy	7	**–**	(692)
Gain on disposal of subsidiaries	7	**(142)**	(325)
Provision for impairment loss on financial and contract assets, net of reversal		**1,405**	2,213
Operating loss before working capital changes		**(4,136)**	(12,590)
Changes in working capital:			
Trade and other receivables		**22,085**	(33,109)
Contract assets		**(11,237)**	20,956
Trade and other payables		**(3,374)**	36,631
Cash generated from operations		**3,338**	11,888

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Net debt reconciliation

	Liabilities from financing activities			
	Lease liabilities HK$'000	**Other payable** HK$'000	**Bank borrowings** HK$'000	**Total** HK$'000
As at 1 July 2019	2,529	–	2,146	4,675
Changes from financing cash flows:				
Repayment of principal and interest portion of lease liabilities	(2,313)	(25)	(2,146)	(4,484)
Total charges from financing cash flows	(2,313)	(25)	(2,146)	(4,484)
Non-cash movements				
— Interest expenses	60	25	–	85
	60	25	–	85
As at 30 June 2020 and 1 July 2020	276	–	–	276
Changes from financing cash flows:				
Repayment of principal and interest portion of lease liabilities	(1,672)	–	–	(1,672)
Total charges from financing cash flows	(1,672)	–	–	(1,672)
Non-cash movements				
— Addition on lease liabilities	2,711	–	–	2,711
— Interest expenses	71	–	–	71
As at 30 June 2021	1,386	–	–	1,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Proceeds from disposal of property, plant and equipment

	2021 HK$'000	2020 HK$'000
Net book value of property, plant and equipment disposed	**903**	163
Gains on disposal of property, plant and equipment	**11**	7
Proceeds from disposal of property, plant and equipment	**914**	170

26 CONTINGENT LIABILITIES

Contingent liabilities in respect of legal claims

A subsidiary of the Group is defendant in a number of claims, lawsuits and potential claims relating to employees' compensation cases and personal injuries claims. 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 advice, historical records and an outflow of economic benefits is not probable.

27 GUARANTEE

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

	2021 HK$'000	2020 HK$'000
Performance bonds in favor of its clients	**1,250**	1,250

As at 30 June 2021, the amounts of approximately HK$1,250,000 (2020: HK$1,250,000) of performance bonds were given by a 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.

28 DISPOSAL OF SUBSIDIARIES

For the year ended 30 June 2021

On 31 May 2021, the Group agrees to dispose of the 100% equity interests in Shenzhen Zhonghui Industrial Development Company Limited* 深圳市眾匯產業發展有限公司 ("**Zhonghui**") to an independent third party for a cash consideration of HK$50,000.

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

Analysis of assets and liabilities over which control was lost:

	31 May 2021 HK$'000
Trade and other receivables	9
Cash and cash equivalents	19
Trade and other payables	(122)
Exchange reserve	2
	(92)

	HK$'000
Gain on disposal of a subsidiary	
Consideration received and receivable	50
Net liabilities disposed of	92
	142

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

	HK$'000
Net cash outflow arising on disposal:	
Cash consideration	50
Less: cash and cash equivalents disposed of	(19)
	31

* The English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

28 DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 30 June 2020

On 29 May 2020, the Group disposed 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 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 May 2020 HK$'000
Cash and cash equivalents	2
Trade and other payables	(60)
Tax payable	(267)
Net liabilities disposed of	(325)

	HK$'000
Consideration received and receivable	–*
Net liabilities disposed of	325
	325

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

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

* The amount is less than HK$1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

29 RELATED PARTY TRANSACTIONS

(a) Key management compensation

The executive directors of the Company and an operating subsidiary are regarded as key management. Details of the key management compensation were as follows:

	2021 HK$'000	2020 HK$'000
Fees	**528**	484
Wages, salaries and other benefits	**4,772**	5,231
Retirement fund contributions	**62**	102
	5,362	5,817

(b) Transactions and balance with related parties

Other than those disclosed elsewhere in the consolidated financial statements, the Group had the significant transactions with related parties during the year:

Transactions with related parties

	2021 HK$'000	2020 HK$'000
Related parties transactions		
Consultancy fee charged by the related companies*:		
— Handmade Investment Limited	**–**	333
— Handmade Company Limited	**1,943**	2,008
— Base Win Engineering Limited	**1,943**	2,008
— Group Bridge Investment Limited	**1,943**	2,008
Subcontracting fee charged by the related companies*:		
— Base Win Engineering Limited	**2,390**	3,099
— Good Enjoyment Limited	**65,742**	–

Note:

The above mentioned transactions were conducted in the normal course of business and were charged at terms determined and agreed by the Group and the relevant parties.

Balance with a related party

	2022 HK$'000	2021 HK$'000
Balance with a related company* included in trade payables		
— Good Enjoyment Limited	**20,557**	–

As at 30 June 2021, the carrying amount of the balance with a related company included in trade payables was unsecured, interest-free, and on normal commercial credit terms.

* All the above companies were directly owned by key management personnel of the Group, the directors of an operating subsidiary of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Investment in subsidiaries		**9,790**	9,790
Amounts due from subsidiaries		**10,299**	3,529
		20,089	13,319
Current assets			
Other receivables		**1,722**	337
Consideration receivable		**9,100**	21,400
Cash and cash equivalents		**24**	24
		10,846	21,761
Total assets		**30,935**	35,080
EQUITY			
Share capital	24	**11,189**	11,189
Reserve	30(b)	**5,772**	18,704
Total equity		**16,961**	29,893
LIABILITIES			
Other payables and accruals		**13,659**	3,437
Amounts due to subsidiaries		**315**	1,750
Total liabilities		**13,974**	5,187
Total equity and liabilities		**30,935**	35,080

The statement of financial position of the Company was approved by the Board of Directors on 3 April 2023 and was signed on its behalf.

MA Huijun	**LAI Aizhong**
Director	Director

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 July 2019	77,790	(52,826)	24,964
Loss and total comprehensive loss for the year	–	(6,260)	(6,260)
Balances as at 30 June 2019, 1 July 2020	77,790	(59,086)	18,704
Loss and total comprehensive loss for the year	–	(12,932)	(12,932)
Balance as at 30 June 2021	77,790	(72,018)	5,772

31 SUBSEQUENT EVENTS

Other than those disclosed elsewhere in the consolidated financial statements, the Group had no significant subsequent events after the reporting date.

32 COMPARATIVE FIGURE

Certain comparative figures have been represented to conform to current year's presentation.

GROUP FINANCIAL SUMMARY

	For the year ended 30 June				
	2021	2020	2019 (Restated)	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**319,330**	380,505	415,529	443,556	513,455
Cost of sales	**(298,102)**	(362,382)	(384,558)	(401,852)	(468,269)
Gross profit	**21,228**	18,123	30,971	41,704	45,186
Other income	**5,022**	3,373	1,839	2,021	1,475
Gain (loss) on fair value change on held-for-trading investments	**–**	–	–	–	59
Operating expenses	**(32,162)**	(36,043)	(41,321)	(37,715)	(39,824)
Finance cost	**(71)**	–	–	–	–
(Loss) profit before taxation	**(5,983)**	(14,547)	(8,511)	6,010	6,896
Income tax credit (expense)	**(7)**	38	(742)	(2,841)	(5,511)
(Loss) profit for the year from continuing operations	**(5,990)**	(14,509)	(9,253)	3,169	1,385
Discontinued operation					
(Loss) profit for the year from discontinued operation	**–**	–	(9,185)	4,244	–
(Loss) profit for the year	**(5,990)**	(14,509)	(18,438)	7,413	1,385
Assets and liabilities					
Non-current assets	**4,181**	4,285	16,894	103,935	8,886
Current assets	**239,657**	247,891	214,171	331,235	273,895
Current liabilities	**(98,412)**	(100,831)	(67,785)	(221,063)	(109,035)
Total assets less current liabilities	**145,426**	151,345	163,280	214,107	173,746
Non-current liabilities	**(992)**	(921)	(888)	(10,753)	(1,641)
Net assets	**144,434**	150,424	162,392	203,354	172,105
Capital and reserves					
Share capital	**11,189**	11,189	11,189	11,189	11,189
Reserves	**132,599**	138,616	150,568	162,662	160,353
Non-controlling interests	**646**	619	635	29,503	563
Total equity	**144,434**	150,424	162,392	203,354	172,105