

**YAT SING HOLDINGS LIMITED**

**日成控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 3708

# 2019

Annual Report



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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. DAI Jian (Chairman and Chief Executive Officer)  
Mr. DAI Ming

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. GUO Biao  
Ms. SONG Dan  
Mr. CHAN Foon

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

Mr. DAI Jian (Chairman)  
Mr. GUO Biao  
Mr. CHAN Foon

## REMUNERATION COMMITTEE

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

## COMPANY SECRETARY

Mr. FUNG Nam Shan

## AUTHORIZED REPRESENTATIVES

Mr. DAI Jian  
Mr. FUNG Nam Shan

## INDEPENDENT AUDITOR

SHINEWING (HK) CPA Limited

## LEGAL ADVISERS

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

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House  
75 Fort Street  
PO 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

Unit 2606, 26/F  
Singga Commercial Centre  
144-151 Connaught Road West  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## PRINCIPAL BANKERS

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

China Construction Bank Corporation  
Tsim Sha Tsui Commercial Banking Office

China CITIC Bank International Limited  
Des Voeux Road Central Branch

## COMPANY WEBSITE

[www.yat-sing.com.hk](http://www.yat-sing.com.hk)

## STOCK CODE

03708

# Chairman's Statement

## TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors") of Yat Sing Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I present our annual report of the Group for the year ended 30 June 2019 (the "Year").

## RESULTS

During the Year, the Group's principal businesses consist of building maintenance and renovation services, which were classified as continued operation. The sales of visible light photocatalysis products was classified as discontinued operation during the year ended 30 June 2019 due to the disposal of the business of the sales of visible light photocatalysis products during the Year. Details are set out in the Management Discussion and Analysis.

### Continued operation

For the Year, the Group recorded a revenue of approximately HK\$415.5 million, a decrease of approximately HK\$28.1 million or 6.3% from HK\$443.6 million (restated) recorded in the same period in 2018. Consolidated total comprehensive expenses attributable to owners of the Company on continued operation for the Year increase by approximately HK\$13.2 million or 426% to HK\$10.1 million, compared to the consolidated total comprehensive income of previous year (2018: HK\$3.1 million (restated)).

The basic and diluted earnings per share of the Company (the "Share") for the Year was approximately HK0.24 cents (2018: HK0.07 cents (restated)).

As at 30 June 2019, the equity attributable to owners of the Company amounted to HK\$161.8 million (2018: HK\$173.9 million), representing an decrease of 7.0%.

### Discontinued operation

As the sales of visible light photocatalysis products was classified as discontinued operation during the Year, the Group's revenue does not include the discontinued business. Consolidated total comprehensive expenses attributable to owners of the Company on discontinued operation for the Year was increased by approximately HK\$2 million or 250% to HK\$2.8 million (2018: HK\$0.8 million (restated)).

## DEVELOPMENT FOR THE YEAR

For the core business of maintenance works for public sector, the Group has a major contract with notional or estimated contract value of approximately HK\$250.2 million granted by Hong Kong Housing Authority (the "Housing Authority"). The period of the contract is 36 months which was commenced in July 2018. For renovation services, the Group was awarded one contract with notional or estimated contract value of approximately HK\$110.0 million by Vocational Training Council during the Year. The period of contract is 24 months which was commenced in April 2019.

# Chairman's Statement

## PROSPECTS

Looking forward, with continuous spending on infrastructure and residential building works by public sector, we are expecting stable growth in the building maintenance and renovation contracting service industry in Hong Kong. Riding on our operating resources and experience, we believe that we can continue to maintain our competitive edge in the industry to capture the market share for building maintenance and renovation contracting service in Hong Kong.

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

## 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.

**DAI Jian**

*Chairman*

Hong Kong, 27 September 2019

# Management Discussion and Analysis

## BUSINESS REVIEW

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

Revenue for the Year was approximately HK\$415.5 million, representing a decrease of approximately HK\$28.1 million or 6.3% when compared to the same period last year of approximately HK\$443.6 million (restated). It was mainly due to the commencement of new District Term Contract (“DTC”) project of building maintenance services during the second half of 2018.

### Building maintenance services

As at 30 June 2019, we had 2 building maintenance contracts on hand with a notional or estimated contract value of approximately HK\$522.4 million. As at 30 June 2018, we had 5 building maintenance contracts on hand with a notional or estimated contract value of approximately HK\$897.0 million.

### Renovation services

As at 30 June 2019, we 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\$175.3 million. As at 30 June 2018, we had 5 renovation contracts on hand with a notional or estimated contract value of approximately HK\$41.8 million.

### Sales of visible light photocatalysis products

The Group has completed the disposal of the 100% interests in Sino Kaiser Limited and its subsidiaries (collectively referred to as the “Disposal Group”) which were included in sales of visible light photocatalysis products on 28 June 2019. Due to the economic recession in PRC and the US-China trade war, there is a significant decrease of the sales of visible light photocatalysis products and the Group disposed the Disposal Group to avoid further loss making on it. Details are set out in the announcements dated 20 May 2019, 11 June 2019, 28 June 2019 and the circular dated 24 June 2019.

As the business of the sales of visible light photocatalysis products was disposed on 28 June 2019, such business was classified as discontinued operation 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\$250.2 million, which had commenced during the Year.

# Management Discussion and Analysis

## Renovation services

During the Year, the Group had been successfully awarded 9 contracts with notional or estimated contract value of approximately HK\$151.0 million. 8 of the newly awarded contracts had commenced during the Year.

## FUTURE DEVELOPMENT

With the increasing awarded contracts in renovation services, the prospect of the renovation services is optimistic. We will focus on identifying opportunities for building maintenance projects, especially in the public sector, which is our core business. For renovation projects, with the growth in consciousness of building refurbishment in Hong Kong, we are confident in attaining new projects from the private sector.

## FINANCIAL REVIEW

### Revenue

Revenue derived from building maintenance services increased by approximately HK\$22.4 million or 6.4% from approximately HK\$350.8 million for the year ended 30 June 2018 to approximately HK\$373.2 million during the Year. The slight increase in revenue during the Year was attributable to the revenue recognised under the two existing projects, which are at their mid stage, more than those projects during the commencement or final stage.

Revenue derived from renovation services decreased by approximately HK\$50.5 million or 54.4% from approximately HK\$92.8 million for the year ended 30 June 2018 to approximately HK\$42.3 million during the Year. The decrease in revenue was mainly contributed by the project for the conversion of usage of an industrial building, which was almost completed during last year and most of the revenue has already been recognised in prior years.

As the sales of visible light photocatalysis products was classified as discontinued operation during the Year, the revenue of the Group does not include the discontinued business.

# Management Discussion and Analysis

## Gross profit and gross profit margin

During the Year, the Group's gross profit amounted to approximately HK\$31.0 million (2018: HK\$41.7 million (restated)) on continuing operation, representing a decrease of approximately HK\$10.7 million, which is consistent with the decrease in revenue on continuing operation. Gross profit margin for the Year was approximately 7.5% (2018: 9.4% (restated)) on continuing operation. The decrease in gross profit margin was caused by the decrease in the gross profit margin for building maintenance services.

Gross profit attributable to building maintenance services for the Year amounted to approximately HK\$26.7 million (2018: HK\$37.4 million). The Group's gross profit margin for building maintenance services for the Year was approximately 7.2% (2018: 10.7%). The decline in gross profit margin during the Year was attributable to the commencement of new DTC project with lower gross profit margin.

Gross profit attributable to renovation services for the Year amounted to approximately HK\$4.2 million (2018: HK\$4.3 million), representing a slight decrease of approximately HK\$0.1 million or 2.3%. Gross profit margin from renovation services during the Year was approximately 9.9%, which was much higher than the year ended 30 June 2018 of approximately 4.6%. The improvement in gross profit margin was caused by the decrease in contribution from the project for the conversion of usage of an industrial building, which has lower gross margin than other renovation projects.

As the sales of visible light photocatalysis products was classified as discontinued operation during the Year, the gross profit of the Group does not include the discontinued business.

## Other income

During the Year, other income of the Group mainly comprised the loan interest income amounted to approximately HK\$1.2 million and bank interest income amounted to approximately HK\$0.4 million on continuing operation. For the year ended 30 June 2018, other income of the Group mainly comprised net income from the sales of construction materials amounted to approximately HK\$1.7 million and bank interest income amounted to approximately HK\$0.03 million (restated) on continuing operation.



# Management Discussion and Analysis

## Administrative expenses

Administrative expenses increased by approximately HK\$3.6 million or 9.6% on continuing operation from approximately HK\$37.5 million (restated) for the same period in 2018 to approximately HK\$41.1 million for the Year. The increase was caused by the increase in the operating costs of the Company, including but not limited to, the increase in staff cost, office rental charge, the professional and other related fees.

## Finance costs

Finance costs decreased by approximately HK\$12,000 or 4.6% on continuing operation from approximately HK\$263,000 (restated) for the same period in 2018 to approximately HK\$251,000 (restated) for the Year on continuing operation, which was mainly comprised the bank borrowings and obligations under finance leases.

## Income tax expense

The effective tax rates were approximately -8.7% and 47.3% (restated) on continuing operation for the Year and the same period in 2018, respectively. The significant decrease for the Year was mainly due to the significant decrease on the profit on building maintenance and renovation services for the Year.

## (Loss) profit for the year

On continuing operation, the Group recorded loss for the Year by approximately HK\$12.5 million or 4 times from approximately profit on HK\$3.2 million (restated) for the same period in 2018 to approximately loss on HK\$9.3 million for the Year, which was mainly comprised the substantial loss in building maintenance services.

On discontinued operation, the Group recorded the expected loss for the Year by approximately HK\$13.4 million or 3 times from approximately profit on HK\$4.2 million (restated) for the same period in 2018 to approximately loss on HK\$9.2 million for the Year which was disclosed in the circular of the Company dated 24 June 2019.

## 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 2019, the Group had total cash and bank balances of approximately HK\$48.2 million (30 June 2018: HK\$46.1 million). As at 30 June 2019, the Group had finance leases approximately HK\$0.7 million (30 June 2018: HK\$1.6 million). As at 30 June 2019, the Group had bank borrowings approximately HK\$2.1 million (30 June 2018: HK\$90.1 million). All the cash and bank balances, bank borrowings and finance leases are denominated in Hong Kong dollar as at 30 June 2019. As at 30 June 2019, bank borrowings for Hong Kong carried at Hong Kong Interbank Offered Rate plus 2.50% which is 3.30% to 3.67% per annum. As at 30 June 2019, the bank borrowing and general banking facilities were secured and/or guaranteed by the corporate guarantee given by the Company and the Group's pledged bank deposits as disclosed in Note 24 to the consolidated financial statements. As at 30 June 2019, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.2 million and HK\$161.8 million respectively (30 June 2018: HK\$11.2 million and HK\$173.9 million respectively).

# Management Discussion and Analysis

## Foreign exchange risk

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

## Gearing ratio

Gearing ratio is calculated based on the total debts divided by the total equity. The gearing ratio was approximately 1.8% and 45.1% as at 30 June 2019 and 30 June 2018, respectively. The decrease in gearing ratio is due to the significant decrease of the bank borrowings during the Year.

## Charge over assets of the Group

As at 30 June 2019, the Group had pledged bank deposits of approximately HK\$1.4 million (30 June 2018: HK\$3.7 million) to bank to secure the banking facilities granted to the Group. As at 30 June 2019, the Group had motor vehicles amounted to HK\$1.8 million held under finance lease (30 June 2018: HK\$2.8 million).

## Significant investments, acquisitions and disposals

On 20 May 2019, the Company entered into a sales and purchase agreement to dispose its wholly owned subsidiary, Sino Kaiser Limited and its subsidiaries at a consideration of HK\$42,800,000. Details of the disposal were set out in the announcements dated 20 May 2019, 11 June 2019, 28 June 2019 and the circular dated 24 June 2019.

Save as disclosed above, the Group did not enter into any significant investment, make any material acquisition and disposal of subsidiaries, associates or joint ventures during the Year.

## Contingent liabilities

### **(a) Contingent liabilities in respect of legal claims**

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

# Management Discussion and Analysis

## (b) Guarantee issued

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

	30 June 2019 HK\$'000	30 June 2018 HK\$'000
Performance bonds in favor of its clients	2,822	7,408

As at 30 June 2019, HK\$2,822,000 (2018: HK\$7,408,000) of performance bonds were given by a bank in favour of some of the Group's customers as security for the due performance and observance of the Group's obligations under the service contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the bank to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work for the relevant customers.

Save as disclosed above, the Group had no material contingent liabilities as at 30 June 2019 (30 June 2018: nil).

## Employees and remuneration policies

As at 30 June 2019, the Group had approximately 95 employees (30 June 2018: 138). The staff related costs included salaries, wages and other staff benefits, contributions and retirement schemes, provisions for staff long service payment and untaken paid leave. The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages were subject to review on a regular basis. The emoluments of the Directors and senior management have been reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

## Events after reporting period

There is no important events affecting the Group which have occurred since the end of the Year.

## DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2018: nil).

# Biographies of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. DAI Jian**, aged 32, was appointed as the Chairman, an executive Director, the Chief Executive Officer and the chairman of the nomination committee on 14 January 2017. He is a controlling shareholder of the Company. He holds a bachelor's degree in finance from The Great Wall University Beijing, the PRC. He has been an executive director and general manager of 河口縣錦鑫礦業有限公司 (transliterated as Hekou Jinxin Mining Limited Company) since September 2016. Currently, he is also a deputy manager of the department of research and development of 江陰市友佳珠光雲母有限公司 (transliterated as Jiangyin Youjia Pearlescent Mica Co. Ltd., "Jiangyin Youjia") since December 2013. Jiangyin Youjia was established in the PRC in 2003 and is a subsidiary of China Crystal New Material Holdings Co., Ltd. (中國晶體新材料控股有限公司, "China Crystal"), a company incorporated in the Cayman Islands with limited liability and listed in the trading board of stock exchange in South Korea since 28 January 2016 (KOSDAQ stock code: 900250).

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

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

**Mr. DAI Ming**, aged 53, was appointed as an executive Director on 3 August 2017. He graduated from 上海市應用技術學院 (transliterated as Shanghai Institute of Technology), the PRC, in fine chemicals (精細化工專業). He has been a vice president of Jiangyin Youjia since February 2016.

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

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

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

# Biographies of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. SONG Dan**, aged 35, was appointed as an independent non-executive Director and a member of the audit committee on 3 March 2016, and a member of the remuneration committee on 14 January 2017. She graduated from the Xiangtan University, Xiangtan City, Hunan Province, the PRC. She is a degree holder in financial management. She is currently the chairman of 深圳市中金小額貸款有限公司 (transliterated as Shenzhenshi Zhongjin Xiaoe Daikuan Company Limited.) Ms. SONG had served as the president of retail banking in China Merchants Bank Company Limited (招商銀行股份有限公司). She has in-depth knowledge on financial and banking businesses.

**Mr. GUO Biao**, aged 36, was appointed as an independent non-executive Director, the chairman of the remuneration committee, and a member of each of the audit committee and the nomination committee on 3 March 2016. He has a master of business administration in finance from The Chinese University of Hong Kong. He has extensive experience in financial services industries. Mr. GUO is currently the deputy head of research and senior vice president in Shanxi Securities International Financial Holdings Limited (山證國際金融控股有限公司).

**Mr. CHAN Foon**, aged 46, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of each of the remuneration committee and the nomination committee on 14 January 2017. He holds a bachelor of science degree from the University of Southern California in the United States of America and is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. CHAN has been an independent non-executive director of China Crystal since July 2012. He is currently the financial controller and joint company secretary of Li Heng Chemical Fibre Technologies Limited and a member of the supervisory board of Highsum Chemical Holdings B.V.. He had extensive audit experience with two international audit firms and a listed company in Hong Kong.

## SENIOR MANAGEMENT

**Mr. LIU Winson Wing Sun**, aged 44, is a director of ABO Group Limited ("ABO") and Sing Fat Construction Company, Limited ("Sing Fat Construction"), both being subsidiaries of the Company. He has over 15 years of experience in building maintenance and renovation contracting service industry in Hong Kong. Mr. LIU is primarily responsible for the overall management, strategic planning and business development of the Group's building maintenance and renovation services. He is also the safety director who is responsible for overseeing all occupational health, safety and environmental matters of the Group. Mr. LIU also acts as one of the construction managers for project execution in respect of some of the Group's projects. Mr. LIU joined the Group as a works coordinator in March 2002 and has been promoted to safety director in November 2005 and construction manager in January 2009. Prior to joining the Group in March 2002, he worked as an assistant valuer at the Associated Surveyors and Auctioneers Limited, a company principally engaged in property valuation and auctioneering services where he was responsible for providing assistance in property valuation and preparation of valuation reports.

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

## Biographies of Directors and Senior Management

**Mr. KAN Yiu Keung**, aged 52, is a director of ABO and Sing Fat Construction and also the project director of the Group who is responsible for overseeing all projects with public sector customers, project management and monitoring the progress of all projects for public sector customers. He has over 32 years of experience in building maintenance and renovation contracting service industry in Hong Kong. Mr. KAN is primarily responsible for general management and day-to-day operation of the Group. Mr. KAN joined the Group as a project director in September 2000. Prior to joining the Group, he worked as a director of Rich China Engineering Limited which is a subcontractor for building maintenance projects from April 1998 to August 2000. From May 1994 to March 1998, he worked as a director of Jetkind Construction Engineering Limited which is also a subcontractor for building maintenance projects. From March 1991 to April 1994, he worked in Shing Kai Engineering Company as a site agent where he was mainly responsible for on-site management of building maintenance projects. From August 1985 to February 1991, he worked as a foreman for Shing Kai Engineering Company. Mr. KAN completed his secondary education and graduated from Sham Shui Po Secondary School in July 1985. He completed Site Safety Management Course and Accident Prevention Course organised by the University of Hong Kong in October and November 2004. Mr. KAN was admitted as a corporate member of the Asia Institute of Building in April 2009.

**Mr. CHAN Lo Kin**, aged 67, is a director of ABO and Sing Fat Construction and also the administration director of the Group who is the management representative responsible for managing our management system in accordance with ISO9001:2008 standards and requirements. He has over 39 years of experience in building maintenance and renovation contracting service industry in Hong Kong. Mr. CHAN is primarily responsible for day-to-day operation of the Group. Mr. CHAN joined the Group as a director of Sing Fat Construction in March 1992. Prior to joining the Group, he worked as a director of Chuen Shing Construction Company Limited from February 1991 to August 2007. From October 1978 to January 1991, he worked as a general manager responsible for accounting matters of a sole proprietorship established in Hong Kong, which was principally engaged in metal works engineering. Mr. CHAN graduated from Yuet Wah College in Macao in June 1976.

**Mr. CHEUNG Yat Ming**, aged 57, is the authorised signatory, technical director and construction engineer of the Group. Mr. CHEUNG joined the Group as a technical director and construction engineer in August 1999. He has over 18 years of experience in construction engineering. Mr. CHEUNG is responsible for overseeing the engineering operations and the technical aspect of various projects. Prior to joining the Group, he worked as an engineer at Wong & Ouyang (Civil-Structural Engineering) Limited where he was responsible for engineering design work for various projects undertaken from September 1994 to December 1998. Mr. CHEUNG graduated from the University of Sheffield in England in July 1994 with a bachelor of engineering. Mr. CHEUNG is a registered professional engineer of the Hong Kong Engineers Registration Board. He is also a member of the Hong Kong Institution of Engineers.

## Biographies of Directors and Senior Management

**Mr. LEE Yiu Hung**, aged 57, is the safety manager of the Group. He has over 18 years of experience in safety management in construction projects. Mr. LEE is responsible for implementing and developing the safety and environmental management system and monitoring compliance of occupational health, safety and environmental compliance. Mr. LEE joined the Group as a safety supervisor in May 2008 and was promoted to safety officer in May 2009. He was further promoted to safety manager in 2013. Prior to joining the Group in May 2008, he worked as a safety supervisor at Jet Consultant Limited where he was responsible for assisting safety officer to implement site safety measures and monitor day-to-day site safety management from August 2002 to May 2008. Mr. LEE graduated from China University of Geoscience, Wuhan in April 2004 with a diploma in safety engineering and completed the Professional Auditing Safety Scheme (Safety Auditor Training Scheme) organised by the Hong Kong Safety Management Association in November 2010. Mr. LEE is a safety officer and safety auditor registered with the Labour Department.

### COMPANY SECRETARY

**Mr. FUNG Nam Shan**, aged 42, was appointed as a company secretary and authorised representative on 3 March 2016. He holds a bachelor's degree in commerce awarded by the University of Newcastle, Australia. Mr. FUNG has become a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2010 and a Certified Practising Accountant of CPA Australia since October 2003.

Currently, Mr. FUNG is an independent non-executive director of Energy International Investment Holdings Limited, a company listed on the Main Board ("Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 0353) and JH Educational Technology INC. (listed on Main Board (stock code: 1935)), the company secretary and authorised representative of each of Seamless Green China (Holdings) Limited, a company listed on GEM of the Stock Exchange ("GEM") (stock code: 8150) and Camsing International Holding Limited, a company listed on the Main Board (stock code: 2662) and company secretary of Thelloy Development Group Limited, a company listed on the Main Board (stock code: 1546). He was a joint company secretary of Future Bright Mining Holdings Limited, a company currently listed on the Main Board (stock code: 2212). He was the company secretary and authorised representative of China Ocean Fishing Holdings Limited, a company listed on GEM (stock code: 8047) and China Investment Development Limited (a company listed on the Main Board (stock code:204)).

Mr. FUNG served Zhejiang Chang'an Renheng Technology Co., Ltd., a company listed on GEM (stock code: 8139) as financial controller and secretary from April 2013 to March 2014. Mr. FUNG was employed as financial controller and company secretary of South China Assets Holdings Limited, a company currently listed on GEM (stock code: 8155) from February 2010 to April 2013. Mr. FUNG served for a reputable property development group as financial controller from 2009 to 2010. He has worked for PricewaterhouseCoopers as an audit manager for several years which he accumulated experience in auditing, accounting and taxation in Hong Kong and the PRC. He has been one of the marketing committee members of The Hong Kong Youth Hostels Association and also a member of its charity walk organising committee since 2012.

# Directors' Report

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

## PRINCIPAL PLACE OF BUSINESS

The Company was incorporated on 17 September 2014 in the Cayman Islands. The Company is domiciled in Hong Kong. The principal place of business has been changed to Unit 2606, 26/F., Singga Commercial Centre, 144-151 Connaught Road West, Hong Kong with effect from 1 March 2019.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and its subsidiaries now comprising the Group are principally engaged in building maintenance and renovation service. The activities of its subsidiaries are set out in note 44 of notes 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 54 of this annual report.

The Board does not recommend any payment of a final dividend for the Year (2018: nil).

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company ("AGM") to be held on Wednesday, 4 December 2019, the register of members of the Company will be closed from Friday, 29 November 2019 to Wednesday, 4 December 2019, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 28 November 2019.

## 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 58 of this annual report.

Distributable reserves of the Company as at 30 June 2019 amounted to approximately HK\$25 million (2018: HK\$40.4 million).



# Directors' Report

## DONATIONS

During the Year, the Group do not make any charitable and other donations (2018: HK\$58,000).

## PROPERTY, PLANT AND EQUIPMENT

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

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the Year are set out in note 44 to the notes to the consolidated financial statements.

## SHARE CAPITAL

The Company's total issued share capital as at 30 June 2019 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 31 to the notes to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

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

## PERMITTED INDEMNITY

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

## EQUITY-LINKED AGREEMENTS

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

# Directors' Report

## SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

# Directors' Report

## GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 153 of this annual report.

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

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

## DIRECTORS

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

### Executive Directors

Mr. DAI Jian (Chairman and Chief Executive Officer)

Mr. DAI Ming

### Independent non-executive Directors

Mr. CHAN Foon

Mr. GUO Biao

Ms. SONG Dan

Pursuant to article 108(a) of the Articles, Mr. DAI Ming and Mr. GUO Biao shall retire by rotation at the forthcoming AGM of the Company and all of them, being eligible, have offered themselves for re-election.

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

## DIRECTORS' SERVICE CONTRACTS

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

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

# Directors' Report

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

## MANAGEMENT CONTRACTS

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

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

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

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and senior management of the Group as at the date of this annual report are set out on pages 11 to 14 of this annual report.

# Directors' Report

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interest or short positions which they had taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

### Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Mr. DAI Jian	Interest of a controlled corporation (Note)	3,268,750,000	58.43%

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

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

# Directors' Report

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

As at 30 June 2019, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) have interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company referred to therein:

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

## MAJOR SUBCONTRACTORS AND CUSTOMERS

During the Year, the largest subcontractor accounted for approximately 18.13% (2018: 20.2%) of the Group's total costs of services and the five largest subcontractors accounted for approximately 71.5% (2018: 61.6%) of the Group's total costs of services. The largest customer accounted for approximately 79.4% (2018: 74.5%) of the Group's total revenue and the five largest customers accounted for approximately 99.6% (2018: 94.9%) 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 42 to the notes to consolidated financial statements and are fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under chapter 14A of the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

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

## BUSINESS REVIEW

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

# Directors' 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 the section headed "Management Discussion and Analysis" in this annual report.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 38 to 48 of this annual report.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The environmental policies and performance of the Group are set out in the section headed "Environmental, Social and Governance Report" 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.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

There is no important events effecting the Group which have occurred since the end of the financial year.

## **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.

# Directors' Report

## AUDITOR

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

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

On behalf of the Board

**Mr. DAI Jian**

*Chairman*

Hong Kong, 27 September 2019



# Environmental, Social and Governance Report

## 1. ABOUT THIS REPORT

### 1.1. Reporting Period

This Environmental, Social and Governance (“ESG”) Report illustrates and highlights the environmental and social performance of the Group from 1 July 2018 to 30 June 2019 unless otherwise stated.

### 1.2. Reporting Scope

This ESG report covers the core and material business engaged by the Group and it summarises the performance of the Group in respect of corporate social responsibility. This report is focused on the operating activities of the Group’s business including the building maintenance and renovation projects in the construction sector of Hong Kong and the manufacturing of visible light photocatalysis products in the People’s Republic of China (the “PRC”). The Group has offices in Hong Kong and Jiangyin City of Jiangsu Province, PRC. This report demonstrates the ESG performance of the Group’s business operation in achieving sustainable development for the future.

### 1.3. Reporting Framework

This ESG report has been prepared in accordance with the “comply or explain” provisions as well as “recommended disclosures” of the Environmental, Social and Governance Reporting Guide as set out in the ESG Reporting Guide (“ESG Guide”) contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This report has complied with the “comply or explain” provisions of the ESG Guide.

#### ***Key Performance Index (“KPI”) Reference Table***

<b>Reference KPI of the ESG Guide</b>	<b>Corresponding KPI in the section of this report</b>
A. Environmental	
A1: Emissions	Emissions Policies and Compliance Carbon Footprint – Greenhouse Gas Emissions Air Emissions Hazardous Waste Non-hazardous Waste
A2: Use of Resources	Use of Natural Resources and the Environment
A3: The Environment and Natural Resources	Emissions Policies and Compliance Use of Natural Resources and the Environment

# Environmental, Social and Governance Report

<b>Reference KPI of the ESG Guide</b>	<b>Corresponding KPI in the section of this report</b>
B. Social	
Employment and Labour Practices	
B1: Employment	Human Capital – Total Workforce Employment Policies and Compliance
B2: Health and Safety	Occupational Health and Safety Policies and Compliance
B3: Development and Training	Human Resource Development and Training Policies
B4: Labour Standards	Labour Practices and Compliance
Operating Practices	
B5: Supply Chain Management	Supply Chain Management Subcontractors' Engagement
B6: Product Responsibility	Product Responsibility Quality Assurance Process Protecting Intellectual Property Rights Data Protection and Privacy Policies
B7: Anti-corruption	Anti-corruption Policies and Compliance Conflict of Interest Preventive Measures and Whistle-blowing Procedures
Community	
B8: Community Investment	Community Care The Sustainable Future

## 1.4. Stakeholders' Engagement

Stakeholders' expectation, views and feedback toward the Group is of ultimate importance to its future development. The Group is committed to its stakeholders through maintaining sustainable growth in business, ensuring the well-being of its employees and caring for the environment. The Group adopts a comprehensive approach in managing the environmental and social performance of its businesses. The Group has completed various stakeholder engagement activities throughout the year via direct and transparent communications to build trust and long-term relationship with all stakeholders.

# Environmental, Social and Governance Report

## 1.5. Stakeholders' Feedback

Your comments and feedbacks regarding the Group's performance and approach on ESG aspects are valuable to its continuous improvement and sustainability, please send your questions, suggestions and recommendations to the Group as below:

Address: Unit 2606, 26/F Singga Commercial Centre, 144-151 Connaught Road West, Hong Kong.

Email: [info@yat-sing.com.hk](mailto:info@yat-sing.com.hk)

## 2. ENVIRONMENTAL PERFORMANCE

The Group's principal operating subsidiary is engaged in building maintenance and renovation service solutions with maintenance and refurbishment in Hong Kong. While the manufacturing and processing of visible light photocatalysis products by graphene photocatalytic technology in the PRC is another major business. The related environmental performance of the two businesses will be disclosed in this report.

The Group has been developing and implementing environmental management policies in improving the environmental awareness of its employees and its overall environmental performance. The Group is committed to minimising the environmental impacts while providing a high quality of services to its customers.

### 2.1. Emission Policies and Compliance

The Group acknowledges the impact of its work to its employees, the community and the environment. The Group not only complies with the Environmental Protection Law of Hong Kong and the PRC in air (dust and residues) and water emission, solid waste management and noise pollution, it has also obtained various international certifications to signify its environmental commitment in the development of its business in a sustainable manner.

In addition, construction works in Hong Kong must comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Construction Dust) Regulation and Waste Disposal Ordinance. During the Reporting Period, the Group was not aware of any material non-compliance issue in relation to environmental laws.

# Environmental, Social and Governance Report

## International Certifications

## Environmental related Laws and Regulations Hong Kong

## PRC

ISO9001	Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)	The Environmental Protection Law of the PRC
ISO14001	Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong)	The Energy Conservation Law of the PRC
OHSAS18001	Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)	The Environmental Impact Assessment Law of the PRC
	Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)	The Water Pollution Prevention Law of the PRC
	Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)	The Solid Waste Pollution Prevention Law of the PRC
	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)	
	Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)	

## 2.2. Carbon footprint – Greenhouse Gas Emissions

Carbon footprint generated from the Group will be disclosed in this report. Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas (“GHG”) expressed in terms of equivalent amount of carbon dioxide (“CO<sub>2</sub>-e”) emission. To reduce carbon footprint, the Group has energy saving practices including deployment of energy-saving lightings, switching off idle lightings, computers and electrical appliances and equipment, monitoring water consumption, using of digital technology and recycled paper.

Comprising the Group’s headquarters, offices and manufacturing plant, the Group’s operations cover a total floor area of 41,245.72 square metre (“m<sup>2</sup>”) (2018: 35,876.20 m<sup>2</sup>) and was accounted for 100% of its GHG emissions.

The total net GHG emissions generated by the Group were 1,703.05 tonnes of carbon dioxide equivalent (“tCO<sub>2</sub>-e”) (mainly carbon dioxide, methane and nitrous oxide) (2018: 773.96 tCO<sub>2</sub>-e), the annual emission intensity was 0.041 tCO<sub>2</sub>e/m<sup>2</sup> (2018: 0.022 tCO<sub>2</sub>e/m<sup>2</sup>).

# Environmental, Social and Governance Report

The following table highlights the year on year comparison of the Group's carbon footprint:

Scope	Sources of GHG emissions	2019		2018		% change
		GHG* emissions (in tCO <sub>2</sub> -e)	Distribution	GHG* emissions (in tCO <sub>2</sub> -e)	Distribution	
1	Mobile — Gasoline & diesel	175.14	10.28%	266.50	34.43%	-34.28%
2	Purchased electricity	1,497.23	87.91%	479.07	61.90%	212.53%
3	Disposal of paper waste	20.04	30.68	15.63	28.39	8.07%
	Fresh water processing	10.63	1.80%	12.75	3.67%	
	Sewage water processing	0.01		0.01		
	<b>Total GHG* emissions</b>	<b>1,703.05</b>		<b>773.96</b>		<b>120.04%</b>
	<b>Emission intensity</b>	<b>0.041</b>		<b>0.022</b>		<b>87.68%</b>

\* The GHG is calculated according to the 'Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong' jointly published by Environmental Protection Department and Electrical and Mechanical Services Department.

As seen from the following table showing the comparison of the two businesses of the Group, the manufacturing business has brought an immense effect to the total carbon footprint.

Scope	Sources of GHG emissions	Construction	Manufacturing	Total
		GHG* emissions (in tCO <sub>2</sub> e)		
1	Mobile — Gasoline & diesel	175.14	0	175.14
2	Purchased electricity	39.23	1,458.00	1,497.23
3	Disposal of paper waste	20.04	0	20.04
	Fresh water processing	0.03	10.60	10.63
	Sewage water processing	0.01	0	0.01
	<b>Total GHG* emissions</b>	<b>234.45</b>	<b>1,468.60</b>	<b>1,703.05</b>

\* The GHG is calculated according to the 'Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong' jointly published by Environmental Protection Department and Electrical and Mechanical Services Department.

# Environmental, Social and Governance Report

## 2.3. Air Emission

During demolition and renovation processes, dust generated by various construction activities could contribute to local air pollution. High levels of dust, combined with some air pollutants, can cause respiratory problems to the employees at work and the members of the public. In addition, volatile organic compound (“VOC”) is the major molecule emitted or evaporated from the liquid or solid materials (e.g. solvent, paint or other organic materials) used for renovation related works.

The manufacturing and processing of visible light photocatalysis products by graphene photocatalytic technology require the use of reagent. During the deposition of graphene material, nano-scale graphene material and reagent used may possibly be emitted to the working environment in the form of VOC or respirable suspended particulates (“RSP”). Hence, the manufacturing plant is located in designated industrial area with appropriate ventilation system and personal protective equipment (“PPE”) like gowns and face masks to protect the employees.

Another major source of air emission was from the use of gasoline and diesel-powered vehicles for transportation. Motor vehicles emit a considerable amount of pollutants into the environment. The following table highlights the total air emission of the Group.

<b>Types of Pollutants</b>	<b>Emission Data (kg)</b>
Nitrogen Oxides (NO <sub>x</sub> )	26.33
Sulphur Dioxide (SO <sub>2</sub> )	0.96
Particulate Matter	2.14

## 2.4. Hazardous Waste

The Group has taken a precautionary approach to handle graphene material-containing waste, such that the waste was disposed of and treated as hazardous waste in the PRC. The Group is also aware of the risks associated with the relevant manufacturing process and the graphene containing materials were purchased from suppliers who comply with related environmental regulations.

# Environmental, Social and Governance Report

## 2.5. Non-hazardous Waste

The environmental impact from the waste generated by construction and demolition is the most significant and critical emission throughout the Group's operations. The overall impact not only relates to the amount of waste generated, but also relates to the impact or nuisance created from the working process. Waste including packaging materials, flooring (vinyl or wood), drywall such as wall board, gypsum or plastic board, concrete waste, carpeting materials is difficult to be recycled as they are generally collected together without source separation and ended up being disposed of at the landfill. During the reporting period, there were around 7,000 tonnes of construction waste being transferred to government waste disposal facilities. The following table summarised the quantity and destination of the waste and the year on year comparison.

Government waste disposal facilities	Types of construction waste accepted	Weight (in tonnes)		Variance
		2019	2018	
Public fill reception facilities	Consisting entirely of inert construction waste <sup>+</sup>	<b>1,137.20</b>	1,569.40	<b>-27.54%</b>
Sorting facilities	Containing more than 50% by weight of inert construction waste <sup>+</sup>	<b>0.00</b>	46.70	<b>-100%</b>
Landfills	Containing not more than 50% by weight of inert construction waste <sup>+</sup>	<b>5,842.30</b>	6,393.70	<b>-8.62%</b>
	<b>Annual Total</b>	<b>6,979.50</b>	8,009.80	<b>-12.86%</b>

The safety committee of the Group has been actively monitoring and managing construction waste and preventive measures are in place to minimise the adverse effects from air pollutants emission. Good ventilation in the project location and in the manufacturing plant, PPE for employees, and VOC related material residue and waste were discarded with caution.

Paper and its related stationary were another non-hazardous waste generated from office administration; A total of 4,174.13 kg of paper and printed matters (2018: 3,307.65 kg) were used in the offices for administration and report publication purposes. Paper waste was collected by the property management for recycling and disposal. Employees are practicing double sided printing and actively using digital technology to replace papers. The Group will continue to monitor its paper reuse and recycling efficiency to reduce usage and disposal.

## 2.6. Use of Natural Resources and the Environment

The Group's operations do not involve in production-related air, water and land pollutions which are regulated under related environmental laws and regulations. As the manufacturing operation was taken place in an industrial area, most of the emissions and waste generated from the manufacturing plants were well treated before they were returned to the environment. Therefore, the direct impact from the Group's activities towards the environment and natural resources is low.

# Environmental, Social and Governance Report

## ***Energy Consumption – Electricity***

The total electricity consumed was 1,868,234.33 Kilowatt-hour (“kWh”) (2018: 607,337.00 kWh), the energy intensity was 45.30 kWh/m<sup>2</sup> (2018: 16.93 kWh/m<sup>2</sup>). In order to strengthen the energy saving awareness of employees, energy saving slogans are posted near the power control switches to encourage energy saving.

## ***Fossil Fuel Consumption – Gasoline and Diesel***

There are several motor vehicles being used for transportation purposes. A total of 62,152.52 litres of gasoline (2018: 95,114.08 litres) and 2,583.26 litres of diesel (2018: 7,151.79 litres) were used for the Group’s own fleet. The Group conducted regular maintenance on vehicles to ensure optimal performance and enhance energy use.

## ***Water Consumption***

The total water consumption was 25,075.00 cubic metre (“m<sup>3</sup>”) (2018: 30,078.00 m<sup>3</sup>). There was no issue in sourcing water that is fit for purpose. The water consumption of the headquarters in Hong Kong was not documented as it was covered in the property management fee and the relevant information was not available. Besides, the amount of water used in the office was not significant. Nevertheless, the Group shall actively include water conservation measure in the project locations to enhance water efficiency and save this precious natural resource on earth.

## **3. SOCIAL PERFORMANCE**

### **3.1. Human Capital – Total Workforce**

As at 30 June 2019, the total workforce of the Group was 99 (2018: 129), the employee composition is listed in the following table.

<b>Employee Structure</b>	<b>2019</b>	<b>2018</b>
Total number of employees	<b>99</b>	129
<b>By gender</b>		
Male	<b>74.7%</b>	78.3%
Female	<b>25.3%</b>	21.7%
<b>By age</b>		
18–25	<b>4.0%</b>	5.4%
26–35	<b>26.3%</b>	21.7%
36–45	<b>22.2%</b>	20.9%
46–55	<b>15.2%</b>	19.4%
56 or above	<b>32.3%</b>	32.6%



# Environmental, Social and Governance Report

## 3.2. Employment Policies and Compliance

The Group complies with all relevant laws and regulations related to employment including compensation and benefits, health and safety, labour practice and workplace conditions. The Group also provides equal opportunities to employees in respect of recruitment, training and development, job advancement, and remuneration and benefits to ensure a positive and sustainable workplace is maintained. The Group's employee handbook is designed to communicate important regulations and work ethics surrounding employment, benefits and welfare, occupational health and safety guidelines, and obligation and responsibilities to employees. It is an essential tool in helping to define the expectations of both the management and the employees, and to protect them from unfair or inconsistent treatment and discrimination.

Employees' remuneration is structured to encourage a sustainable workforce and to attract, retain, and recognise employees with a wide range of additional benefits such as attendance award, length of service bonus, medical allowances, meal and shift allowances, and performance bonus.

## 3.3. Occupational Health and Safety Policies and Compliance

The Group is committed to achieving a high standard of occupational health and work safety for employees and protecting others who may be affected by its activities. The Group's health and safety policy stipulates the guidelines and regulations to protect employees and to ensure the compliance with applicable occupational health and safety laws and regulations in Hong Kong and the PRC.

Safety Induction training is provided to new employees and various occupational health and safety trainings are conducted to reinforce employees' safety awareness and practices. Safety precautions tips are communicated through briefings, posters and notices to promote and enhance safety awareness and practice among employees and subcontractors. In addition, it is important for employees to be aware of the safety risks associated with relevant equipment in the manufacturing plant. Hence, the Group has provided training on the operating methodologies and procedures of equipment and products handling in accordance with the relevant operational manuals.

The Group provides the employees with relevant PPE such as helmets, gowns, gloves, eyewear and face masks for their specific duties and personal protection. Emergency response plan and procedures are communicated regularly to guide employees on the identification and assessment of potential hazard or risk and emergency evacuation drills are scheduled throughout the year to ensure the readiness of the employees in responding to any type of crisis.

A safety committee is established to review policies and enforce safety compliance and standard. The group also conducts working environment condition evaluation, safety inspection and assessment, and noise and emission detection periodically to ensure its safety performance. During the reporting period, the Group has not violated any related safety and health ordinance and provisions.

# Environmental, Social and Governance Report

## Occupational Health and Safety Data

	2019	2018
Number of Work-related Fatalities	0	0
Work injury cases with leave of absence >3 days	8	0
Lost days due to work injury	639	0
Work Injury rate	83.33	0

### 3.4. Human Resource Development and Training Policies

The Group understands that human resource is its valuable asset and the knowledge, experience and skills of employees are important and critical to its continued success and growth. To encourage and assist employees in developing their potential, the Group continues to offer training programs and on-the-job trainings based on employees' willingness, potential, competence and business needs. Taken into consideration the needs of employees in various operations and departments, different skill based, induction, safety and equipment operation trainings are provided during the year to enhance employees' skills in discharging their duties and to improve their career development.

### 3.5. Labour Practices and Compliance

The Group complies with the laws and regulations relating to employment, child and forced labour practices. Recruitment of employees is strictly abided by the hiring procedures and guidelines of the Group so that suitable talents are recruited in accordance with relevant laws, job requirement and candidates' expectation for a fair, happy and sustainable workforce. Work schedule guidelines are clearly stated on the employee handbook and the working roster of relevant employees are posted in employees' working locations to communicate work time and schedule. During the reporting period, there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration relating to labour disputes against the Group.

# Environmental, Social and Governance Report

## 4. SUPPLY CHAIN MANAGEMENT

In order to manage and mitigate the environmental and social risks in the supply chain, various suppliers of products and materials as well as subcontractors are engaged for goods and services. To make sure goods and services are procured in an honest, competitive, fair, and transparent manner that delivers the highest cost performance, suppliers and subcontractors are selected based upon rational and clear criteria.

During the reporting period, there were 58 suppliers (including materials and subcontractors) in Hong Kong and 5 suppliers in the PRC and they are listed in the Group's approved suppliers and subcontractors list. The Group's project management team would review the list and provide updates to its employees on an annual basis. The team also monitors, audits and manages processes regarding materials selection, quality management system, and work performance to ensure its supply chain is effective and efficient that guarantees the quality and standard of its products and services. The Group also has a systematic operation and supplier management plan; thus, the preparation of tenders, projects execution, suppliers and subcontractor's selection, appointment and management, procurement of supplies, materials and equipment are being supervised and monitored.

### 4.1. Subcontractors' Engagement

As a main contractor, the Group maintains long-term relationship with its subcontractors for stable labour supply and mobility. Subcontractors are assessed and selected based on ISO9001 standard for selection and appointment of suitable subcontractors. The Group adopts the following internal measures to control subcontractors' quality of work and compliance of occupational health, safety, environmental rules and regulations.

- (a) Clear management structure between project management team and subcontractors;
- (b) Prevention of unauthorized multi-level subcontracting;
- (c) Constant monitoring and inspection;
- (d) Monthly review on subcontractors' work progress;
- (e) Performance assessment of subcontractors.

## 5. PRODUCT RESPONSIBILITY

The Group's project quality is guaranteed by its long-established experience in the industry and supported by its project management team organised for each project based on customer's requirement, contractual specification, and project size and complexity. Each project management team is comprised of 14 members responsible for overseeing the safety, quality, workmanship, project progress, pollution prevention, subcontractor's performance, materials consumption and customer's feedback.

# Environmental, Social and Governance Report

To ensure service quality, service complaints and non-conformities issues are properly and timely handled by the Group's customer services department. A telephone hotline serviced by public relations representatives is available to handle complaints from the public during the project period. Complaints can also be filed by email and all complaints lodged will be responded within 24 hours. All complaints and enquires are reported to the project manager and quality manager for further follow up and preventive measures in the future. During the reporting period, there was no significant delay in the delivery of projects and no major complaints from customers regarding the quality of works and products.

## 5.1. Quality Assurance Process

The Group strive to provide consistent quality services to customers, a quality assurance system in compliance with the ISO 9001 and ISO 14001 is established to manage projects' quality and safety performance. By focusing on the needs and expectations of customers, improving operations quality and customer services, a quality control plan is developed to monitor and inspect the safety performance of the project, review and assess subcontractor's progress and performance, and manage occupational health, safety, and environmental protection.

## 5.2. Protecting Intellectual Property Rights

The Group owns and registered several trademarks and domain names as they are important to its brand and corporate image. The Group understands and complies with the intellectual property (the "IP") rights regulation. During the reporting period, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its own IP rights and the IP rights of third parties.

## 5.3. Data Protection and Privacy Policies

The Group properly manages and protects the data collected from its business partners, customers, employees and suppliers to ensure their privacy and confidentiality. The Group complies with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), all proprietary data collected are neatly organised and stored in computers and servers which are protected from access passwords. As stipulated in the Group's ethical guidelines, employees are instructed of their responsibility to follow the confidentiality code on access to information and ensure the safekeeping of all personal and business data, trade secrets and proprietary information.

# Environmental, Social and Governance Report

## 6. ANTICORRUPTION POLICIES AND COMPLIANCE

The Group is committed to conducting business by upholding its philosophy with the highest level of business ethics, honesty and integrity. As stipulated in the Group's ethical guidelines on code of conduct, all employees must adhere to the ethical consideration when engaging in the Group's business activities and the action to offer, provide, obtain, receive an advantage or to avoid an obligation are strictly forbidden. To ensure fairness in competition, procurement and tendering processes are conducted impartially to prevent bribery, corruption, and fraudulent practices. The Group conducts periodic and systematic risk assessment and communicates related anti-fraud policies and procedures to employees on a regular basis.

### 6.1. Conflict of Interest

The Group's ethical guidelines requires its directors and employees to avoid the conflict between personal and financial interest and their professional official duties in the Group. They understand that using their positions in the Group or the Group's resources, properties and information to pursue opportunities by exercising positioning power to influence decisions or gain access to valuable information when dealing with third parties with his profession to achieve financial and personal gain is strictly prohibited.

### 6.2. Preventive Measures and Whistle-blowing Procedures

The Group's whistle-blowing procedure encourages and enables its employees to confidentially and anonymously report on observed and suspected non-compliance, misconduct, malpractices, conflict of interest and fraudulent activities through an electronic form, a telephone hotline or email. All whistle-blowing reports will be investigated independently by a senior person (the case officer) nominated by the board of directors. All proven fraudulent activities will be reported to respective law enforcement authorities. During the reporting period, communications were made to ensure employees understand the Group's ethical guidelines, and there was no related legal case regarding corruption or fraudulent activities concluded against the Group.

# Environmental, Social and Governance Report

## 7. COMMUNITY CARE

The Group is committed to conducting business in every aspect to minimise any potential environmental and social impact to its stakeholders such as its employees and the community members. Since construction projects are being conducted in every corner of Hong Kong, the Group will strive to be the role model in its industry sector by continuously considering the community and performing its works in an environmentally friendly and sustainable way. The Group will explore opportunities in future charity or community events to play a part in making a difference and strengthening the Hong Kong community.

## 8. THE SUSTAINABLE FUTURE

Building maintenance and renovation projects in the construction industry are facing great challenges in sustainable development with the increasing concern over the impact of constructions related activities on the environment. The industry has also been charged with promoting excessive environmental impacts ranging from overuse of resources to pollution generation. To promote sustainability in the industry, energy and water conservation, and waste reduction are among the top priorities and the Group will continue to improve the efficiency and effectiveness of the construction process to reduce its environmental impacts to the environment.

# Corporate Governance Report

## CORPORATE GOVERNANCE CODE

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

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

### Securities Transactions by Directors

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

### Securities Transactions by Senior Management and Staff

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

## BOARD OF DIRECTORS

### Board composition

As at the date of this report, the Board comprises five Directors, including two executive Directors and three independent non-executive Directors (“INEDs”). The list of Directors is set out in the section headed “Directors’ Report” of this annual report.

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

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

# Corporate Governance Report

## 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.

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

## Role and function

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

## Board meetings

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

During the Year, a total of five (5) Board meetings and one (1) general meeting were held and the attendance records are as follows:

Name of Directors	Meetings attended/Eligible to attend	
	Board meetings	General meeting
<b>Executive Directors</b>		
Mr. DAI Jian (Chairman and Chief Executive Officer)	5/5	1/1
Mr. DAI Ming	5/5	1/1
<b>INEDs</b>		
Mr. GUO Biao	5/5	1/1
Ms. SONG Dan	5/5	1/1
Mr. CHAN Foon	5/5	1/1



# Corporate Governance Report

## Independent non-executive Directors

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

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

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

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

## Directors' training and professional development

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

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

<b>Name of Directors</b>	<b>Reading materials regarding regulatory update and corporate governance matters</b>	<b>Attending training/seminars relevant to the Company's business, Listing Rules compliance and risk management</b>
<b>Executive Directors</b>		
Mr. DAI Jian (Chairman and Chief Executive Officer)	√	√
Mr. DAI Ming	√	√
<b>INEDs</b>		
Mr. GUO Biao	√	√
Ms. SONG Dan	√	√
Mr. CHAN Foon	√	√

# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Currently, Mr. DAI Jian serves as the Chairman and Chief Executive Officer of the Company. This dual roles constitutes a deviation from code provision A.2.1 of the CG Code. The Board is of the view that vesting both roles in Mr. DAI Jian will allow more effective planning and execution of business strategies. As all major decisions will be made in consultation with members of the Board, and there are three INEDs on the Board offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

During the Year, the Board reviewed and approved, amongst other things, the adoption of a nomination policy (the "Nomination Policy") to reflect the new corporate governance requirements with effect from 1 January 2019 under the Listing Rules. The Nomination Policy sets out the procedures and criteria to be used by the Nomination Committee for the selection, appointment and re-appointment of directors. The Nomination Committee has from time to time identified individuals suitably qualified to become Board members, having due regard to the Nomination Policy and the Board Diversity Policy and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of the Group.

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

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

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

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

# Corporate Governance Report

## BOARD COMMITTEES

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

### Audit Committee

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

The principal responsibilities of the Audit Committee include:

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

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

During the Year, the Audit Committee held two meetings (i) to review the Group's financial results for the year ended 30 June 2018; (ii) to review the interim results for the period ended 31 December 2018; (iii) to oversee the audit process; (iv) to review the risk management and internal control system and (v) to recommend the re-appointment of independent auditor. Subsequent to the end of the Year and up to the date of this annual report, a meeting of the Audit Committee was held on 27 September 2019 to review the Group's financial results for the Year for submission to the Board for approval, review internal control and risk management system of the Group and make recommendation on the re-appointment of the independent auditor.

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

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

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

# Corporate Governance Report

## Nomination Committee

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

The principal responsibilities of the Nomination Committee include:

- assisting the Board in discharging its responsibilities relating to the composition of the Board;
- evaluating the balance of skills, knowledge and experience 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, a 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; and (iii) to make recommendation to the Board on the proposal of re-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 27 September 2019 to review the structure, size and composition (including the skills, knowledge and experience) of the Board and the board diversity policy, assess the independence of the INEDs and make recommendations to the Board on the proposal of re-appointment of Directors at the forthcoming AGM.

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

<b>Name of Directors</b>	<b>Meeting attended/Eligible to attend</b>
Mr. DAI Jian (Chairman)	1/1
Mr. CHAN Foon	1/1
Mr. GUO Biao	1/1

## Remuneration Committee

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

The principal responsibilities of the Remuneration Committee include:

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

# Corporate Governance Report

During the Year, a meeting of the Remuneration Committee was held to review the remuneration of the Directors and senior management. Subsequent to the Year and up to the date of this annual report, a meeting of the Remuneration Committee was held on 27 September 2019 to review the performance and remuneration packages of the Directors.

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

<b>Name of Directors</b>	<b>Meetings attended/Eligible to attend</b>
Mr. GUO Biao (Chairman)	1/1
Mr. CHAN Foon	1/1
Ms. SONG Dan	1/1

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

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

	<b>Number of individuals</b>
HK\$1 to HK\$1,000,000	1
HK\$1,000,001 to HK\$1,500,000	1
HK\$2,000,001 to HK\$2,500,000	3

## CORPORATE GOVERNANCE FUNCTION

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

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

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

# Corporate Governance Report

## AUDITOR'S REMUNERATION

The Audit Committee is responsible for considering the appointment and re-election of the Company's external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to our Company. During the Year, the Group is required to pay to the external auditor, SHINEWING (HK) CPA Limited, for the audit service in relation to the audit of annual consolidated financial statements for the Year of approximately HK\$1.3 million and non-audit services provided to the Group in respect to the agreed upon procedures for interim review of condensed consolidated financial statements for the period ended 31 December 2018 and in connection with the circular for the acquisition of 55% of equity interest in Jiangyin Grabene of approximately HK\$0.3 million and approximately HK\$0.9 million respectively, totaling HK\$2.5 million in aggregate.

## COMPANY SECRETARY

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

## RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

# Corporate Governance Report

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

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

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

## **DIVIDEND POLICY**

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

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

## **SHAREHOLDERS' RIGHTS**

### **General meeting**

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

# Corporate Governance Report

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

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

1. Any one or more Shareholders (the “Requisitionist”) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.
2. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) shall be reimbursed by the Company.

## **Procedures for Shareholders to put forward proposals at Shareholders’ meetings**

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal (the “Proposal”) together his/her detailed contact information at the Company’s principal place of business in Hong Kong at Unit 2606, 26/F., Singa Commercial Centre, 144–151 Connaught Road West, Hong Kong in the same manner as set out above.

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

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

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



# Corporate Governance 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 Head Office or at the Registration Office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS AND INVESTOR RELATIONS

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

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

### Procedures for Shareholders to direct enquiries to the Company

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

Address: Unit 2606, 26/F., Singga Commercial Centre, 144–151 Connaught Road West, Hong Kong  
Email: [info@yat-sing.com.hk](mailto:info@yat-sing.com.hk)  
Tel: (852) 2386 0066  
Fax: (852) 2563 0813

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

Branch Share Registrar and Transfer Office in Hong Kong  
Union Registrars Limited  
Address: Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road,  
North Point, Hong Kong  
Tel: (852) 2849 3399  
Fax: (852) 2849 3319

## CONSTITUTIONAL DOCUMENTS

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

# Independent Auditor's Report



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

## TO THE MEMBERS OF YAT SING HOLDINGS LIMITED

日成控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Yat Sing Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 54 to 151, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, 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 (“HKASAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

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

# Independent Auditor's Report

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

Refer to note 21, 22 and 23 to the consolidated financial statements and the accounting policies on pages 80 to 96.

### The key audit matter

As at 30 June 2019, the Group had trade receivables, contract assets, loan and interest receivables and consideration receivable of approximately HK\$55,535,000, HK\$72,836,000, HK\$9,965,000 and HK\$21,400,000 respectively.

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

### How the matter was addressed in our audit

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

We have assessed the ECL methodology made by the Group as at 1 July 2018 on initial adoption of HKFRS 9 and the information used by management to determine the ECL on an individual basis for each debtor as at 1 July 2018 and 30 June 2019.

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

# Independent Auditor's Report

## REVENUE RECOGNITION IN RESPECT OF BUILDING MAINTENANCE AND RENOVATION SERVICES

Refer to note 5 to the consolidated financial statements and the accounting policies on pages 73 to 75.

### The key audit matter

During the year ended 30 June 2019, the Group has recognised revenue from building maintenance and renovation services of approximately HK\$415,529,000. Such revenue was recognised over time based on the progress measured using an output method – satisfaction of that performance obligation of the building maintenance services and renovation services which involves significant management judgment and estimation of the value of each works order. We identified revenue as a key audit matter as the actual value of completed works order and contract maybe higher or lower than the estimates and will affect the Group's revenue recognised.

### How the matter was addressed in our audit

Our audit procedures were designed to review the management's estimation on the revenue recognition under the requirements of HKFRS 15 by inspecting a sample of representative contracts with customers.

We have obtained understanding on revenue recognition policy and on the design, implementation and operating effectiveness of respective internal control activities.

We have assessed whether the revenue recognised was reasonable through inspection of certificates or work orders issued by customers before finalisation of the contracts.

We arranged confirmations, on a sample basis, to confirm the contract sum, progress billing amount and percentage of completion of individual projects.

## OTHER INFORMATION

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

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

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

We have nothing to report in this regard.

# Independent Auditor's Report

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

# Independent Auditor's Report

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

## **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

### **Pang Wai Hang**

Practising Certificate Number: P05044

Hong Kong

27 September 2019

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 HK\$'000	2018 HK\$'000 (Restated)
<b>Continuing operations</b>			
Revenue	5	415,529	443,556
Cost of sales		(384,558)	(401,852)
Gross profit		30,971	41,704
Other income	7	1,839	2,021
Administrative expenses		(41,070)	(37,452)
Finance costs	8	(251)	(263)
(Loss) profit before taxation		(8,511)	6,010
Income tax expenses	9	(742)	(2,841)
(Loss) profit for the year from continuing operations	11	(9,253)	3,169
<b>Discontinued operation</b>			
(Loss) profit for the year from discontinued operation	10	(9,185)	4,244
(Loss) profit for the year		(18,438)	7,413
<b>Other comprehensive income (expense) for the year</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value changes on financial assets at fair value through other comprehensive income		(793)	—
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating a foreign operation		(2,189)	(2,438)
Release of translation reserve upon disposal of a subsidiary		4,627	—
Other comprehensive income (expense) for the year		1,645	(2,438)
Total comprehensive (expenses) income for the year		(16,793)	4,975
(Loss) profit for the year attributable to:			
Owners of the Company			
— Continuing operations		(9,270)	3,114
— Discontinued operation		(4,140)	536
		(13,410)	3,650

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 HK\$'000	2018 HK\$'000 (Restated)
Non-controlling interests			
– Continuing operations		17	55
– Discontinued operation		(5,045)	3,708
		<u>(5,028)</u>	<u>3,763</u>
		<u>(18,438)</u>	<u>7,413</u>
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company			
– Continuing operations		(10,063)	3,114
– Discontinued operation		(2,799)	(805)
		<u>(12,862)</u>	<u>2,309</u>
Non-controlling interests			
– Continuing operations		17	55
– Discontinued operation		(3,948)	2,611
		<u>(3,931)</u>	<u>2,666</u>
		<u>(16,793)</u>	<u>4,975</u>
		<b>2019</b>	<b>2018</b>
Basic and diluted (loss) earnings per share (HK cents)	15		
Continuing and discontinued operation		(0.24)	0.07
Continuing operations		<u>(0.17)</u>	<u>0.06</u>



# Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	4,802	48,843
Prepaid lease payments	17	—	38,966
Goodwill	18	—	10,234
Available-for-sale investment	19	—	1,974
Financial assets at fair value through other comprehensive income	20	1,949	—
Rental deposit	21	178	191
Loan and interest receivable	22	9,965	—
Pledged bank deposits	24	—	3,727
		<b>16,894</b>	<b>103,935</b>
<b>Current assets</b>			
Inventories	25	—	1,540
Prepaid lease payments	17	—	893
Tax recoverable		433	—
Consideration receivable	21	21,400	—
Trade and other receivables	21	59,919	262,659
Contract assets	23	72,836	—
Time deposits with original maturity over three months	24	10,000	20,000
Pledged bank deposits	24	1,411	—
Bank balances and cash	24	48,172	46,143
		<b>214,171</b>	<b>331,235</b>
<b>Current liabilities</b>			
Trade and other payables	26	64,676	122,325
Contingent payable	40	—	6,629
Obligations under finance leases — due within one year	27	696	1,437
Bank borrowings	28	2,146	87,997
Tax payable		267	2,675
		<b>67,785</b>	<b>221,063</b>
Net current assets		<b>146,386</b>	<b>110,172</b>
Total assets less current liabilities		<b>163,280</b>	<b>214,107</b>

# Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 HK\$'000	2018 HK\$'000
<b>Non-current liabilities</b>			
Contingent payable	40	—	6,141
Obligations under finance leases — due after one year	27	—	151
Bank borrowings	28	—	2,146
Long service payment obligations	29	432	326
Deferred tax liabilities	30	456	1,989
		<u>888</u>	<u>10,753</u>
Net assets		<u>162,392</u>	<u>203,354</u>
<b>Capital and reserves</b>			
Share capital	31	11,189	11,189
Reserves		<u>150,568</u>	<u>162,662</u>
Equity attributable to:			
Owners of the Company		161,757	173,851
Non-controlling interests		<u>635</u>	<u>29,503</u>
Total equity		<u>162,392</u>	<u>203,354</u>

The consolidated financial statements on pages 54 to 151 were approved and authorised for issue by the board of directors on 27 September 2019 and are signed on its behalf by:

\_\_\_\_\_  
DAI Jian  
Director

\_\_\_\_\_  
DAI Ming  
Director

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Investment revaluation reserve	Translation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2017	11,189	77,790	(480)	—	—	83,043	171,542	563	172,105
Profit for the year	—	—	—	—	—	3,650	3,650	3,763	7,413
Other comprehensive expense for the year									
Exchange differences arising on translating a foreign operation	—	—	—	—	(1,341)	—	(1,341)	(1,097)	(2,438)
Total comprehensive (expense) income for the year	—	—	—	—	(1,341)	3,650	2,309	2,666	4,975
Acquisition of a subsidiary (Note 39)	—	—	—	—	—	—	—	26,274	26,274
At 30 June 2018 and 1 July 2018 (as originally stated)	11,189	77,790	(480)	—	(1,341)	86,693	173,851	29,503	203,354
Impact on initial application of HKFRS 9 (Note 2)	—	—	—	768	—	—	768	—	768
At 1 July 2018 (as restated)	11,189	77,790	(480)	768	(1,341)	86,693	174,619	29,503	204,122
Loss for the year	—	—	—	—	—	(13,410)	(13,410)	(5,028)	(18,438)
Other comprehensive (expense) income for the year									
Exchange differences arising on translating a foreign operation	—	—	—	—	(1,204)	—	(1,204)	(985)	(2,189)
Release of translation reserve upon disposal of a subsidiary	—	—	—	—	2,545	—	2,545	2,082	4,627
Fair value changes on financial assets at fair value through other comprehensive income	—	—	—	(793)	—	—	(793)	—	(793)
Total comprehensive (expense) income for the year	—	—	—	(793)	1,341	(13,410)	(12,862)	(3,931)	(16,793)
Disposal of subsidiaries (Note 41)	—	—	—	—	—	—	—	(24,937)	(24,937)
At 30 June 2019	11,189	77,790	(480)	(25)	—	73,283	161,757	635	162,392

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

# Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 HK\$'000	2018 HK\$'000 (Restated)
<b>OPERATING ACTIVITIES</b>			
(Loss) profit before taxation			
– Continuing operations		(8,511)	6,010
– Discontinued operation	10	(9,185)	7,135
Adjustments for:			
Depreciation of property, plant and equipment		3,049	1,640
Finance costs		5,337	1,170
Amortisation of prepaid lease payments		1,092	156
Provision for long service payment		106	–
Net gain on disposal of property, plant and equipment		(120)	(60)
Loan interest income		(1,215)	–
Bank interest income		(445)	(41)
Loss on disposal of subsidiaries	41	419	–
Gain on fair value change on contingent payable		(12,770)	(130)
Impairment on goodwill		10,234	–
		<hr/>	<hr/>
Operating cash flows before movements in working capital		(12,009)	15,880
Increase in inventories		(7,269)	(800)
Decrease in contract assets		29,415	–
Decrease in trade and other receivables		27,284	25,977
(Decrease) increase in trade and other payables		(44,434)	11,264
		<hr/>	<hr/>
Cash (used in) from operations		(7,013)	52,321
Hong Kong Profits Tax paid		(3,676)	(2,433)
		<hr/>	<hr/>
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>		<b>(10,689)</b>	<b>49,888</b>
		<hr/>	<hr/>
<b>INVESTING ACTIVITIES</b>			
Net cash outflow from acquisition of a subsidiary	40	–	(23,563)
Withdrawal (placement) of time deposits with original maturity over three months		10,000	(20,000)
Withdrawal (placement) of pledged bank deposits		2,316	(3,727)
Net proceeds from disposal of subsidiaries	41	21,381	–
Purchase of property, plant and equipment		(181)	(388)
Proceeds from disposal of property, plant and equipment		1,605	529
Bank interest received		445	41
Repayment of a loan		9,250	–
Advancement of a loan		(18,000)	–
		<hr/>	<hr/>

# Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 HK\$'000	2018 HK\$'000 (Restated)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<b>26,816</b>	<b>(47,108)</b>
<b>FINANCING ACTIVITIES</b>			
New bank borrowings raised		—	13,000
Repayment of bank borrowings		(8,386)	(5,947)
Repayment of obligations under finance leases		(2,023)	(2,042)
Interest paid		(5,337)	(1,170)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>		<b>(15,746)</b>	<b>3,841</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>381</b> <b>46,143</b>	<b>6,621</b> <b>40,049</b>
Effect of foreign exchange rate changes		1,648	(527)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>48,172</b>	<b>46,143</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 1. GENERAL

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

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in Note 44.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is the Company’s functional and presentation currency.

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

### 2.1 HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 July 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue. Details are described below.

The Group’s accounting policies for its revenue streams are disclosed in detail in Note 3 below.

The impact of transition to HKFRS 15 has no impact on the retained profits at 1 July 2018.

The amount of adjustments for each financial statement line item of the consolidated statement of financial position at 1 July 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 30 June 2018 HK\$’000	Impact on adoption of HKFRS 15 – Reclassification HK\$’000	Carrying amount as restated (before adoption of HKFRS 9)** at 1 July 2018 HK\$’000
Trade and other receivables	a, b	262,659	(102,251)	160,408
Contract assets	a, b	—	102,251	102,251

\*\* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

- (a) In relation to construction contracts previously accounted for under HKAS 18, the Group continues to apply output method in estimating the performance obligations satisfied up to the date of initial application of HKFRS 15. Unbilled revenue of approximately HK\$89,211,000 arising from the construction contracts was reclassified from trade and other receivables to contract assets as at 1 July 2018.
- (b) At the date of initial application, retention receivables of approximately HK\$13,040,000 are conditional on the satisfaction of the service quality by the customers over the period as stipulated in the contracts, and such balances were reclassified from retention money receivables included in trade and other receivable to contract assets as at 1 July 2018.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

### 2.1 HKFRS 15 Revenue from Contracts with Customers (Continued)

#### *Disclosure of the estimated impact on the amounts reported in respect of the year ended 30 June 2019 as a result of the adoption of HKFRS 15 on 1 July 2018*

The following table summarises the estimated impact of applying HKFRS 15 on the consolidated statement of financial position at 30 June 2019, by comparing the amounts reported under HKAS 18 that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of HKFRS 15 did not have material impact on the Group’s loss and other comprehensive income for the current year.

Impact on the consolidated statement of financial position at 30 June 2019:

	As reported HK\$’000	Impact of adopting HKFRS 15 – Reclassification HK\$’000	Amount without adoption of HKFRS 15** HK\$’000
Trade and other receivables	59,919	72,836	132,755
Contract assets	72,836	(72,836)	—

Impact on the consolidated statement of cash flows for the year ended 30 June 2019:

	As reported HK\$’000	Impact of adopting HKFRS 15 – Reclassification HK\$’000	Amount without adoption of HKFRS 15** HK\$’000
<b>Operating activities</b>			
Decrease in trade and other receivables	27,284	29,415	56,669
Decrease in contract assets	29,415	(29,415)	—

#### **Operating activities**

Decrease in trade and other receivables	27,284	29,415	56,669
Decrease in contract assets	29,415	(29,415)	—

\*\* The amounts in this column are before the adjustments from the application of HKFRS 9.

The explanations of the above changes affected in the current year by the application of HKFRS 15 as compared to HKAS 18 are similar to the explanations set out in notes 2.1(a) to (b) above for describing the adjustments made to the consolidated statement of financial position at 1 July 2018 upon adoption of HKFRS 15.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

### 2.2 HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 July 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets on initial application are recognised in investment revaluation reserve as at 1 July 2018.

The Group’s accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in Note 3 below.

#### (i) *Classification and measurement of financial instruments*

The directors of the Company reviewed and assessed the Group’s existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of HKFRS 9 has had the following impact on the Group’s financial assets as regards their classification and measurement.

##### (a) *Unlisted equity investments previously classified as available-for-sale investments carried at cost less impairment*

The Group had elected to present in other comprehensive income for the fair value changes in respect of the Group’s unlisted equity instruments amounting to approximately HK\$1,974,000 as they are held for medium or long term strategic purpose, and reclassified them to financial assets at fair value through other comprehensive income (“FVTOCI”) upon initial application of HKFRS 9. The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve, which will not be reclassified to profit or loss when they are derecognised. On initial application of HKFRS 9, a fair value gain of approximately HK\$768,000 was adjusted to investment revaluation reserve at 1 July 2018, representing the difference between the previous carrying amount and the fair value at 1 July 2018.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

### 2.2 HKFRS 9 Financial Instruments (Continued)

#### *(ii) Loss allowance for expected credit losses (“ECL”)*

The adoption of HKFRS 9 has changed the Group’s accounting for impairment losses for financial assets by replacing HKAS 39’s incurred loss model with a forward-looking ECL approach. As at 1 July 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

It is concluded that, as at 1 July 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under ECL model were not significantly different to the impairment losses previously recognised under HKAS 39.

All the financial liabilities have not been impacted by the application of HKFRS 9 and continue to be classified and measured on the same basis as they were under HKAS 39.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

### 2.2 HKFRS 9 Financial Instruments (Continued)

#### (iii) Summary of effects arising from initial application of HKFRS 9

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group’s financial assets and reconciles the carrying amounts of financial assets under HKAS 39 to the carrying amounts under HKFRS 9 on 1 July 2018.

	Notes	Carrying amount at 30 June 2018 (HKAS 39) HK\$’000	Adoption of HKFRS 9 – Reclassification HK\$’000	Adoption of HKFRS 9 – Remeasurement HK\$’000	Carrying amount at 1 July 2018 (HKFRS 9)* HK\$’000
<b>Available-for-sale investments</b>					
– Unlisted equity securities in Hong Kong	2.2(i)(a)	1,974	(1,974)	–	–
<b>Loans and receivables</b>					
– Trade and other receivables		241,164	(241,164)	–	–
– Time deposits with original maturity over three months		20,000	(20,000)	–	–
– Rental deposit		191	(191)	–	–
– Pledged bank deposits		3,727	(3,727)	–	–
– Bank balances and cash		46,143	(46,143)	–	–
<b>Financial asset at FVTOCI</b>					
– Unlisted equity securities in Hong Kong	2.2(i)(a)	–	1,974	768	2,742
<b>Financial asset at amortised costs</b>					
– Trade and other receivables		–	241,164	(102,251)	138,913
– Time deposits with original maturity over three months		–	20,000	–	20,000
– Rental deposit		–	191	–	191
– Pledged bank deposits		–	3,727	–	3,727
– Bank balances and cash		–	46,143	–	46,143

\* The amounts in this column are before the adjustments from application of HKFRS 15.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

### 2.2 HKFRS 9 Financial Instruments (Continued)

#### (iii) Summary of effects arising from initial application of HKFRS 9 (Continued)

The table below summarises the impact of transition to HKFRS 9 on retained profits and investment revaluation reserve at 1 July 2018.

	Investment revaluation reserve HK\$'000	Retained profits HK\$'000
Balance at 30 June 2018 as originally stated	—	86,693
Recognition of fair value gain in respect of the financial assets at FVTOCI	768	—
Balance at 1 July 2018 as restated	<u>768</u>	<u>86,693</u>

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under HKAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of HKFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of HKFRS 9.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

### New and revised HKFRSs issued but not yet effective

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

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>3</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>2</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>3</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of other new and amendments HKFRSs will have no material impact on the results and the financial position of the Group.

### HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

### HKFRS 16 Leases (Continued)

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of the initial application as an adjustment to the opening balance of equity as at 1 July 2019 and will not restate the comparative information. As at 30 June 2019, the Group has non-cancellable operating lease commitments of approximately HK\$1,371,000 as disclosed in Note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, as explained in the accounting policies set out below.

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

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

The principal accounting policies are set out below.

### **Basis of consolidation**

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

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

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

### Changes in the Group's ownership interests in existing subsidiaries

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

### Business combinations

Business combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities arising from the assets acquired and the liabilities assumed in the business combinations are recognised and measured in accordance with HKAS 12 Income Taxes.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations (Continued)

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interest that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration that is within the scope of HKAS 39 is measured at fair value at each reporting date, and changes in fair value are recognised in profit or loss in accordance with HKAS 39. Other contingent consideration that is not within the scope of HKAS 39 is measured at fair value at each reporting date and changes in fair value are recognised in profit or loss.

### Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition

#### *Policy applicable to the year ended 30 June 2019 (with application of HKFRS 15)*

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

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### *Contract assets and contract liabilities*

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

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

The Group recognises revenue from the following major sources:

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### *Policy applicable to the year ended 30 June 2018*

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

Revenue from provision of building maintenance services and renovation services are recognised when services are provided.

Revenue from the sale of goods is recognised when the goods are delivered and titles have been passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue recognition for rental income is set out in the section headed "Leasing" below.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing

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

#### *The Group as lessor*

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

#### *The Group as lessee*

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

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

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

### Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies

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

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

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

### Discontinued operation

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Borrowing costs

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

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

### Retirement benefits cost and termination benefits

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

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

### Short-term employee benefits

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

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

### Taxation

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (tax laws) that have been enacted or substantively enacted by the end of each reporting period. When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

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

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

### Property, plant and equipment

Property, plant and equipment including buildings (classified as finance leases) held for use in supply of goods or services or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment (Continued)

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

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

### Prepaid lease payments

Payment for obtaining land use rights is considered as operating lease payment. Land use rights are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Amortisation is charged to the consolidated statement of profit or loss and other comprehensive income over the lease term using the straight-line method.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Cash and cash equivalents

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

### Investments in subsidiaries

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

### Financial instruments

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### *Under HKFRS 9 (applicable on or after 1 July 2018)*

##### *Financial assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKFRS 9 (applicable on or after 1 July 2018) (Continued)*

##### *Financial assets (Continued)*

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKFRS 9 (applicable on or after 1 July 2018) (Continued)*

##### *Financial assets (Continued)*

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

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

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

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

Equity instruments designated as at FVTOCI

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

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

Impairment of financial assets

The Group recognised a loss allowance for ECL on financial assets that are measured at amortised cost and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9 and recognises lifetime ECL that results from all possible default events over the expected life of these financial instruments. In estimating the ECL, the Group assessed individually for debtors with significant balances. The Group takes into account the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKFRS 9 (applicable on or after 1 July 2018) (Continued)*

##### *Financial assets (Continued)*

##### Impairment of financial assets (Continued)

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

##### Significant increase in credit risk

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKFRS 9 (applicable on or after 1 July 2018) (Continued)*

##### *Financial assets (Continued)*

Impairment of financial assets (Continued)

##### Significant increase in credit risk (Continued)

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 1 year past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

##### Definition of default

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

- when there is a breach of financial covenants by the debtor; or

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKFRS 9 (applicable on or after 1 July 2018) (Continued)*

##### *Financial assets (Continued)*

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

##### Definition of default (Continued)

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 2 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### Credit-impaired financial assets

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKFRS 9 (applicable on or after 1 July 2018) (Continued)*

##### *Financial assets (Continued)*

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

##### Write-off policy

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

##### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

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



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKFRS 9 (applicable on or after 1 July 2018) (Continued)*

##### *Financial assets (Continued)*

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

##### *Derecognition of financial assets*

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

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

##### *Financial liabilities and equity instruments*

Classification as debt or equity

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

Equity instruments

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKFRS 9 (applicable on or after 1 July 2018) (Continued)*

##### *Financial liabilities and equity instruments (Continued)*

##### Financial liabilities

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

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

##### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL (including contingent payable) are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss is included as a separate line item in profit or loss. Fair value is determined in a manner described in Note 33.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKFRS 9 (applicable on or after 1 July 2018) (Continued)*

##### *Financial liabilities and equity instruments (Continued)*

Financial liabilities subsequently measured at amortised cost

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

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

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### *Under HKAS 39 (applicable before 1 July 2018)*

##### *Financial assets*

The Group's financial assets are classified as loans and receivables and available-for-sale financial asset. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKAS 39 (applicable before 1 July 2018) (Continued)*

##### *Financial assets (Continued)*

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including rental deposit, trade and other receivables, pledged bank deposits, time deposits with original maturity over three months and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment loss (see accounting policy on impairment loss on financial assets below).

##### Available-for-sale financial asset

Available-for-sale financial asset is non-derivative that is either designated as available-for-sale or is not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Dividends on available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

##### Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKAS 39 (applicable before 1 July 2018) (Continued)*

##### *Financial assets (Continued)*

##### Impairment loss on financial assets (Continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of rental deposit and trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a rental deposit or trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKAS 39 (applicable before 1 July 2018) (Continued)*

##### *Financial liabilities and equity instruments*

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

The Group's financial liabilities are classified into either financial liabilities at FVTPL or other financial liabilities.

##### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are designated as at FVTPL on initial recognition.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL (including contingent payable) are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included as a separate line item in profit or loss. Fair value is determined in a manner described in Note 33.

##### Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKAS 39 (applicable before 1 July 2018) (Continued)*

##### *Financial liabilities and equity instruments (Continued)*

##### Effective interest method

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

Interest expense is recognised on an effective interest basis.

##### Equity instruments

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

##### *Derecognition*

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Under HKAS 39 (applicable before 1 July 2018) (Continued)*

*Impairment losses on tangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)*

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

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

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

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

### Fair value measurement

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

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



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fair value measurement (Continued)

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgement in applying the Group's accounting policies

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

### *Contingent liabilities in respect of litigation claims*

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

### **Key sources of estimation uncertainty**

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

### ***Revenue recognition in respect of building maintenance and renovation services***

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

### ***Estimated useful lives and impairment of property, plant and equipment***

The Group's management determines the estimated useful lives in determining the related depreciation charges for its property, plant and equipment. The estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. Actual economic useful lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore depreciation charge in the future period.

In addition, management assesses impairment requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. As at 30 June 2019, the carrying amount of property, plant and equipment is approximately HK\$4,802,000 (2018: HK\$48,843,000). No impairment loss was provided during the years ended 30 June 2019 and 2018.

### ***Loss allowance of trade receivables, contract assets, loans and interest receivables and consideration receivable***

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

### Key sources of estimation uncertainty (Continued)

#### *Loss allowance of trade receivables, contract assets, loans and interest receivables and consideration receivable (Continued)*

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

The information about the ECL on the Group's trade receivables, contract assets, loan and interest receivable and consideration receivable are disclosed in Notes 21, 23, 22 and 21 respectively.

As at 30 June 2019, the carrying amount of trade receivables is approximately \$55,535,000 (1 July 2018: HK\$95,243,000), no loss allowance was provided during the year (1 July 2018: nil).

As at 30 June 2019, the carrying amount of contract asset is approximately HK\$72,836,000 (1 July 2018: HK\$102,251,000), no loss allowance was provided during the year (1 July 2018: nil).

As at 30 June 2019, the carrying amounts of loan and interest receivable and consideration receivable are approximately HK\$9,965,000 and HK\$21,400,000 respectively, no loss allowance was provided during the year (1 July 2018: nil).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 5. REVENUE

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

	2019 HK\$'000	2018* HK\$'000 (Restated)
Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 30 June 2019:		
Disaggregated of revenue by services lines:		
Building maintenance services	373,190	350,805
Renovation services	42,339	92,751
	<u>415,529</u>	<u>443,556</u>

\* The amounts for the year ended 30 June 2018 were recognised under HKAS 18.

Disaggregation of revenue by timing of recognition:

	2019 HK\$'000
<b>Timing of revenue recognition</b>	
Over Time and total revenue from contracts with customers	<u>415,529</u>

### Transaction price allocated to the remaining performance obligations

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 6. SEGMENT INFORMATION

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

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

- i) Building maintenance; and
- ii) Renovation

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

Sales of visible light photocatalysis products were commenced during the year ended 30 June 2018 as a result of the acquisition of a subsidiary (Note 39). Therefore, a new segment of sales of visible light photocatalysis products was added in last year.

### Segment revenue and results

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

#### *For the year ended 30 June 2019*

##### *Continuing operations*

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 6. SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

*For the year ended 30 June 2018 (Restated)*

	Building maintenance HK\$'000	Renovation HK\$'000	Total HK\$'000
Segment revenue	<u>350,805</u>	<u>92,751</u>	<u>443,556</u>
Segment profit	<u>37,390</u>	<u>4,314</u>	41,704
Unallocated corporate income			2,021
Central administration costs			(37,452)
Finance costs			<u>(263)</u>
Profit before taxation (continuing operations)			<u>6,010</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of unallocated corporate income, central administration costs 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 2019 and 2018.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 6. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

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

	2019 HK\$'000	2018 HK\$'000 (Restated)
<b>Segment assets</b>		
Building maintenance	90,325	99,722
Renovation	43,278	81,188
	<hr/>	<hr/>
Total segment assets	133,603	180,910
Unallocated corporate assets	76,062	119,377
	<hr/>	<hr/>
	209,665	300,287
	<hr/>	<hr/>
Assets relating to discontinued operation	21,400	134,883
	<hr/>	<hr/>
Total assets	<u>231,065</u>	<u>435,170</u>
<b>Segment liabilities</b>		
Building maintenance	49,510	66,741
Renovation	7,934	32,353
	<hr/>	<hr/>
Total segment liabilities	57,444	99,094
Unallocated corporate liabilities	11,229	112,827
	<hr/>	<hr/>
	68,673	211,921
	<hr/>	<hr/>
Liabilities relating to discontinued operation	—	19,895
	<hr/>	<hr/>
Total liabilities	<u>68,673</u>	<u>231,816</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 6. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

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, financial assets at fair value through other comprehensive income, rental deposit, certain other receivables, loan and interest receivables, pledged bank deposits, time deposits with original maturity over three months and bank balances and cash and tax recoverable as these assets are managed on a group basis.
- all liabilities are allocated to operating segments other than certain other payables, certain obligations under finance leases, bank borrowings, tax payable, long service payment obligations and deferred tax liabilities as these liabilities are managed on a group basis.

### Other segment information

*For the year ended 30 June 2019*

*Continuing operations*

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



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 6. SEGMENT INFORMATION (Continued)

### Other segment information (Continued)

*For the year ended 30 June 2018 (Restated)*

*Continuing operations*

	Building maintenance HK\$'000	Renovation HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Amounts included in the measure of segment profit or segment assets:</b>				
Additions to property, plant and equipment	1,027	—	809	1,836
Depreciation of property, plant and equipment	463	—	882	1,345
Net gain on disposal of property, plant and equipment	(76)	—	16	(60)
Finance costs	19	—	244	263
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:</b>				
Bank interest income	—	—	(29)	(29)
Income tax expenses	—	—	2,841	2,841

### Geographical information

The Group's revenue from continuing operations from external customers by location of operations is all derived in Hong Kong (place of domicile) for both years.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets As at 30 June	
	2019 HK\$'000	2018 HK\$'000
Hong Kong (country of domicile)	1,723	6,132
The PRC	—	91,911
	<u>1,723</u>	<u>98,043</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 6. SEGMENT INFORMATION (Continued)

### Information about major customers

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

	2019 HK\$'000	2018 HK\$'000
Customer A <sup>1</sup>	329,855	330,260

<sup>1</sup> Revenue from building maintenance and renovation services.

## 7. OTHER INCOME

### Continuing operations

	2019 HK\$'000	2018 HK\$'000 (Restated)
Bank interest income	443	29
Loan interest income	1,215	—
Net gain on disposal of property, plant and equipment	120	60
Net income from sales of construction materials and electronic products (Note)	—	1,663
Others	61	269
	<u>1,839</u>	<u>2,021</u>

Note: During the year ended 30 June 2018, the amount represented net income from the sales of construction materials and electronic products of approximately HK\$1,663,000 (2019: nil), represented gross income of approximately HK\$59,910,000 (2019: nil) net of the cost of goods sold of approximately HK\$58,247,000 (2019: nil).

## 8. FINANCE COSTS

### Continuing operations

	2019 HK\$'000	2018 HK\$'000 (Restated)
Interests on:		
Bank borrowings	197	195
Obligations under finance leases	54	68
	<u>251</u>	<u>263</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 9. INCOME TAX EXPENSES

### Continuing operations

	2019 HK\$'000	2018 HK\$'000 (Restated)
Hong Kong Profits Tax:		
Current tax	852	2,623
(Over) under-provision in prior years	(17)	192
	835	2,815
Deferred taxation (Note 30)	(93)	26
	742	2,841

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazatted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the years ended 30 June 2018 and 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 9. INCOME TAX EXPENSES (Continued)

### Continuing operations (Continued)

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

	2019 HK\$'000	2018 HK\$'000
Continuing operations		
(Loss) profit before taxation	<u>(8,511)</u>	<u>6,010</u>
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	(1,404)	992
Tax effect of income not taxable for tax purposes	(73)	(15)
Tax effect of expenses not deductible for tax purposes	2,421	1,837
(Over)under-provision in prior years	(17)	192
Effect of two-tiered profits tax rates regime	(165)	(165)
Effect of tax concession granted (Note)	<u>(20)</u>	<u>—</u>
Income tax expenses for the year	<u>742</u>	<u>2,841</u>

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

## 10. DISCONTINUED OPERATIONS

On 20 May 2019, the Company has entered into a sales and purchase agreement with a shareholder of non-controlling interest of Jiangyin Grabene Photocatalytic Technology Co., Ltd., (“Jiangyin Grabene”) to dispose its wholly owned subsidiary, Sino Kaiser Limited (“Sino Kaiser”). Through this disposal, 100% directly held subsidiary by Sino Kaiser and its 55% indirectly held subsidiary (collectively referred to as the “Disposal Group”) were also disposed accordingly, at a cash consideration of HK\$42,800,000. The Disposal Group carried out all of the Group’s sales of visible light photocatalysis products which represented a separate major line of business of the Group. As a result, it has been presented as a discontinued operation in the consolidated statement of profit or loss and other comprehensive income for the years ended 30 June 2019 and 2018. The disposal was completed on 28 June 2019, on which date control of the Disposal Group was passed to the acquirer.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 10. DISCONTINUED OPERATIONS (Continued)

The (loss) profit for the period from the discontinued operation is analysed as follows:

	1/7/2018– 28/6/2019 HK\$'000	1/7/2017– 30/6/2018 HK\$'000
(Loss) profit of sales of visible light photocatalysis product operation for the period	(8,766)	4,244
Loss on disposal of sales of visible light photocatalysis product operation (Note 41)	(419)	—
	<u>(9,185)</u>	<u>4,244</u>

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

	1/7/2018– 28/6/2019 HK\$'000	1/7/2017– 30/6/2018 HK\$'000
Revenue	1,106	23,027
Cost of sales	(266)	(9,825)
Gross profit	840	13,202
Other income	425	251
Gain on fair value change on contingent payable (Note 40)	12,770	130
Impairment on goodwill (Note 18)	(10,234)	—
Administrative expenses	(7,481)	(5,541)
Finance costs	(5,086)	(907)
(Loss) profit before taxation	(8,766)	7,135
Income tax expenses (Note)	—	(2,891)
(Loss) profit for the period	(8,766)	4,244
(Loss) profit for the period attributable to:		
– Owners of the Company	(3,721)	536
– Non-controlling interests of the Disposal Group	(5,045)	3,708
	<u>(8,766)</u>	<u>4,244</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 10. DISCONTINUED OPERATIONS (Continued)

Note: Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. No provision for PRC Enterprise Income Tax has been made as the PRC subsidiary has no assessable profits for the year ended 30 June 2019. No provision for PRC Enterprise Income Tax has been made as the PRC subsidiary has sufficient tax losses brought forward to set off against current period's assessable profit for the year ended 30 June 2018.

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

	1/7/2018– 28/6/2019 HK\$'000	1/7/2017– 30/6/2018 HK\$'000
Amount of inventories recognised as an expense	266	9,825
Staff costs — salaries, allowances and other benefits and contribution to retirement benefits scheme	848	313
Depreciation of property, plant and equipment	1,892	295
Amortisation of prepaid lease payments	1,092	156
Net exchange losses	4	212
Rental income, net of nil direct outgoings	(391)	(77)
Bank interest income	(2)	(12)

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

	1/7/2018– 28/6/2019 HK\$'000	1/7/2017– 30/6/2018 HK\$'000
Net cash (used in) from operating activities	(9,131)	49,888
Net cash from (used in) investing activities	3,619	(47,108)
Net cash from financing activities	6,766	3,841

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

The carrying amount of the total assets and liabilities of the discontinued operation at the date of disposal are disclosed in Note 41.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 11. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

### Continuing operations

	2019 HK\$'000	2018 HK\$'000 (Restated)
Staff costs (including Directors' and chief executive's emoluments)		
– Directors' and chief executive's emoluments (Note 12)	2,232	2,269
– Salaries, allowances and other benefits (excluding directors and chief executive's emoluments)	38,742	38,690
– Contributions to retirement benefits schemes (excluding directors and chief executive's emoluments)	1,128	1,188
– Long service payment obligations	106	—
Total staff costs	<u>42,208</u>	<u>42,147</u>
Auditor's remuneration	1,102	932
Depreciation of property, plant and equipment	1,157	1,345
Minimum lease payments paid under operating lease in respected of rented premises	<u>3,933</u>	<u>4,472</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the five (2018: six) directors, ex-directors and chief executive were as follows:

For the year ended 30 June 2019

Name of Director	Directors' fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total HK\$'000
<b>Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings</b>				
<b><i>Executive directors</i></b>				
Dai Jian (Chairman and Chief Executive Officer ("CEO")) (Note iii)	—	1,200	18	1,218
Dai Ming (Note ii)	—	600	18	618
<b><i>Independent non-executive directors</i></b>				
Chan Foon	132	—	—	132
Guo Biao	132	—	—	132
Song Dan	132	—	—	132
	<b>396</b>	<b>1,800</b>	<b>36</b>	<b>2,232</b>



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

For the year ended 30 June 2018

Name of Director	Directors' fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total HK\$'000
<b>Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings</b>				
<b><i>Executive directors</i></b>				
Dai Jian (CEO) (Note iii)	—	1,200	18	1,218
Dai Ming (Note ii)	—	548	17	565
Dai Jialong (Note i)	—	88	2	90
<b><i>Independent non-executive directors</i></b>				
Chan Foon	132	—	—	132
Guo Biao	132	—	—	132
Song Dan	132	—	—	132
	<u>396</u>	<u>1,836</u>	<u>37</u>	<u>2,269</u>

Notes:

- (i) Resigned on 3 August 2017.
- (ii) Appointed on 3 August 2017.
- (iii) Emoluments included services rendered as chief executive and CEO.

Neither the chief executive nor any of the directors agreed to waive or waived any emoluments during the years ended 30 June 2019 and 2018.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 13. INDIVIDUAL WITH HIGHEST EMOLUMENTS

During the year ended 30 June 2019, the five individuals with the highest emoluments in the Group included one (2018: no) director and chief executive whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining four (2018: five) non-director individuals were follows:

	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and other benefits	8,632	9,655
Contributions to retirement benefits scheme	72	72
	<u>8,704</u>	<u>9,727</u>

Their emoluments were within the following bands:

	2019 No. of employees	2018 No. of employees
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,500,000	3	3

During the years ended 30 June 2019 and 2018, no emoluments were paid by the Group to the directors of the Company, chief executive and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

## 14. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2019, nor has any dividend been proposed since the end of reporting period (2018: Nil).



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Machinery and equipment HK\$'000	Furniture, fixture and office equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
<b>COST</b>						
At 1 July 2017	—	418	1,747	8,288	150	10,603
Acquired on acquisition of a subsidiary (Note 39)	40,915	3,430	75	—	—	44,420
Additions	—	391	50	1,787	27	2,255
Disposals	—	—	—	(1,386)	—	(1,386)
Exchange realignment	(1,689)	(150)	(3)	—	—	(1,842)
At 30 June and 1 July 2018	39,226	4,089	1,869	8,689	177	54,050
Additions	—	—	—	1,312	—	1,312
Disposals	—	—	—	(2,676)	—	(2,676)
Disposal of subsidiaries (Note 41)	(37,521)	(3,559)	(70)	—	(26)	(41,176)
Exchange realignment	(1,705)	(112)	(3)	—	(1)	(1,821)
At 30 June 2019	—	418	1,796	7,325	150	9,689
<b>ACCUMULATED DEPRECIATION</b>						
At 1 July 2017	—	381	1,316	2,750	46	4,493
Charge for the year	235	63	84	1,220	38	1,640
Eliminated on disposals	—	—	—	(917)	—	(917)
Exchange realignment	(7)	(2)	—	—	—	(9)
At 30 June and 1 July 2018	228	442	1,400	3,053	84	5,207
Charge for the year	1,517	365	84	1,045	38	3,049
Eliminated on disposals	—	—	—	(1,191)	—	(1,191)
Disposal of subsidiaries (Note 41)	(1,551)	(414)	(17)	—	—	(1,982)
Exchange realignment	(194)	(2)	—	—	—	(196)
At 30 June 2019	—	391	1,467	2,907	122	4,887
<b>CARRYING VALUES</b>						
At 30 June 2019	—	27	329	4,418	28	4,802
At 30 June 2018	38,998	3,647	469	5,636	93	48,843

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

The following property, plant and equipment are depreciated on a straight-line basis, after taking into account of their estimated residual value, at the following rates per annum:

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

As at 30 June 2019, the carrying values of motor vehicles include an amount of approximately HK\$1,751,000 (2018: HK\$2,756,000) in respect of assets held under finance leases.

## 17. PREPAID LEASE PAYMENTS

	2019 HK\$'000	2018 HK\$'000
Analysed for reporting purposes as:		
– Non-current asset	–	38,966
– Current asset	–	893
	–	39,859

As at 30 June 2018, prepaid lease payments with carrying amounts of approximately HK\$39,859,000 had been pledged to a bank to secure bank borrowings of approximately HK\$82,990,000.

Through the disposal of subsidiaries during the year as detailed in Note 41, no prepaid lease payments as at 30 June 2019.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 18. GOODWILL

	HK\$'000
<b>CARRYING VALUE</b>	
Acquired on acquisition of a subsidiary during 2018 (Note 39), at 30 June 2018 and 1 July 2018	10,234
Less: Impairment loss recognised (Note 10)	<u>(10,234)</u>
At 30 June 2019	<u>—</u>

For the purposes of impairment testing, goodwill set out above has been allocated to one CGU, comprising a subsidiary in the sales of visible light photocatalysis products segment.

The basis of the recoverable amount of the above CGU and the major underlying assumptions as at 30 June 2018 are summarised below:

The recoverable amount of this CGU has been determined based on a value-in-use calculation with reference to a valuation performed by an independent valuer who is not connected with the Group. The calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5-year period and a pre-tax discount rate of 24%. Cash flows have been extrapolated using a steady growth rate of approximately 14% and 9% in first two years and 3% afterwards. This growth rate is based on relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU.

During the year ended 30 June 2019, the Group recognised an impairment loss of approximately HK\$10,234,000 (2018: nil) in relation to goodwill arising on acquisition of Jiangyin Grabene due to significant downturn of business since October 2018, which led to a change to the expected growth of the sales of visible light photocatalysis products.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 19. AVAILABLE-FOR-SALE INVESTMENT

	2019 HK\$'000	2018 HK\$'000
Unlisted equity investment in Hong Kong, at cost	—	1,974

As at 30 June 2018, the Group held 4.02% equity interest in an unlisted company in Hong Kong. The investment is measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimate is so significant that directors of the Company are of the opinion that its fair value cannot be reliably measured. The investment was re-classified to financial assets at FVTOCI upon adoption of HKFRS 9 on 1 July 2018.

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2019 HK\$'000	At 1 July 2018 HK\$'000
Unlisted equity investment designated as at FVTOCI	1,949	2,742

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 21. RENTAL DEPOSIT AND TRADE AND OTHER RECEIVABLES

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

	At 30 June 2019 HK\$'000	At 1 July 2018 HK\$'000	At 30 June 2018 HK\$'000
Trade receivables	55,535	95,243	184,454
Retention money receivables (Note a)	—	—	13,040
Advances to subcontractors	2,632	4,366	4,366
Payment in advance (Note b)	413	17,296	17,296
	<u>58,580</u>	<u>116,905</u>	<u>219,156</u>
Deposits and other receivables (Note c)	1,517	44,290	44,290
Less: Loss allowance of other receivables	—	(596)	(596)
	<u>1,517</u>	<u>43,694</u>	<u>43,694</u>
Less: Rental deposit shown under non-current assets	(178)	(191)	(191)
	<u>1,339</u>	<u>43,503</u>	<u>43,503</u>
	<u>59,919</u>	<u>160,408</u>	<u>262,659</u>
Consideration receivable (Note d)	<u>21,400</u>	<u>—</u>	<u>—</u>

As at 30 June 2019, the gross amount of trade receivable arising from contracts with customers amounted to approximately HK\$55,535,000 (1 July 2018: approximately HK\$95,243,000).

Notes:

- (a) As at 30 June 2018, retention money receivables of approximately HK\$8,351,000 (2019: nil) was expected to be recovered in more than twelve months from the end of the reporting period but within its normal operating cycle. On 1 July 2018, retention receivables of approximately HK\$13,040,000 were reclassified to contract asset after adoption of HKFRS 15.
- (b) As at 30 June 2018, a payment in advance for purchasing of raw materials of approximately HK\$ 16,301,000 (2019: Nil) was paid to a company of which one of the directors of a subsidiary is also the shareholder and director of that company.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 21. RENTAL DEPOSIT AND TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (c) As at 30 June 2018, other receivables of approximately HK\$33,282,000 (2019: Nil) represented receivables from the sales of construction materials and electronic products.
- (d) As at 30 June 2019, consideration receivables of approximately HK\$21,400,000 represented receivables from disposal of subsidiaries which details were disclosed in Note 41. The balance will be settled in cash on or before 28 June 2020. The directors of the Company consider that the ECL is insignificant in respect of the consideration receivables, therefore no loss allowance on consideration receivables was recognised as at 30 June 2019. Subsequent to the end of the reporting period, the amount was pledged by the land and buildings held by the former subsidiary.

The Group does not hold any collateral over these balances.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate, for the building maintenance and renovation services. For the sales of visible light photocatalysis products, the Group generally allows an average credit period of 120 days (2018: 120 days) to the customers.

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

	2019 HK\$'000	2018 HK\$'000
Within 90 days	25,410	92,482
91 to 180 days	5,879	11,403
181 to 365 days	11,156	45,036
1 to 2 years	12,150	13,063
Over 2 years	940	22,470
	<u>55,535</u>	<u>184,454</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 21. RENTAL DEPOSIT AND TRADE AND OTHER RECEIVABLES (Continued)

As at 30 June 2018, included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK\$2,262,000 which were past due at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality of the relevant customers and no recent history of default, they are still considered as recoverable.

The aged analysis of trade receivables which are past due as at 30 June 2018 but not impaired is set out below:

	2018 HK\$'000
Over 1 year	<u>2,262</u>

Trade receivables that were neither past due nor impaired relate to customers that have no recent history of default payment.

Starting from 1 July 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are assessed on an individual basis based on the credit risk characteristic and the ageing of trade receivables. The Group considers the historical loss rates in the past three years and adjusts for forward looking factors in calculating the ECL rates.

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

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

The assessments on ECL of deposits, other receivables and consideration receivables are set out in Note 33.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 21. RENTAL DEPOSIT AND TRADE AND OTHER RECEIVABLES (Continued)

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

	2019 HK\$'000	2018 HK\$'000
At the beginning of the year	596	596
Amounts written off as uncollectible	(596)	—
At the end of the year	—	596

As at 30 June 2018, included in the allowance for impairment of trade receivables were individually impaired trade receivables with an aggregate balance of approximately HK\$596,000 which have either been placed under liquidation or in severe financial difficulties.

## 22. LOAN AND INTEREST RECEIVABLE

	2019 HK\$'000	2018 HK\$'000
Unsecured Fixed-rate loan and interest receivable	9,965	—

As at 30 June 2019, included in the Group's loan and interest receivable balance is a single debtor with carrying amount of HK\$9,965,000 which is unsecured and will be repayable on 1 October 2020. The amount is interest bearing at a fixed rate of 9% per annum.

During the year ended 30 June 2019, in determining the ECL for the asset, the directors of the Company have taken into account the historical payment history of the debtor considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of this financial assets as well as the loss upon default in each case.

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

The directors of the Company consider that the ECL is insignificant in respect of the loan and interest receivable, therefore no loss allowance on loan and interest receivable was recognised as at 30 June 2019.

Subsequent to the end of the reporting period, HK\$4,000,000 was settled and the remaining balance was secured by an equity security listed in Hong Kong held by the borrower.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 23. CONTRACT ASSETS

	At 30 June 2019 HK\$'000	At 1 July 2018 HK\$'000
Analysed as current:		
Unbilled revenue of construction contracts (Note a)	65,935	89,211
Retention receivables of construction contracts (Note b)	6,901	13,040
Total contract assets	<u>72,836</u>	<u>102,251</u>
Unbilled revenue of construction contracts More than 30 days but within 90 days	<u>65,935</u>	<u>89,211</u>
Retention receivables of construction contracts		
Due within one year	5,902	4,689
Due over one year (Note c)	999	8,351
	<u>6,901</u>	<u>13,040</u>

Notes:

- (a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.
- (b) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.
- (c) The amount was expected to be recovered in more than twelve months from the end of the reporting period but within its normal operating cycle.

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

For contract assets, the Group has applied the simplified approach permitted by HKFRS 9 to measure the allowance for credit losses at lifetime ECL. The contract assets are assessed for ECL by using the same basis and approach as trade receivables. After the assessment by the directors of the Company, the allowance for ECL on contract assets are insignificant to the Group as at 1 July 2018 and 30 June 2019.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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

### Pledged bank deposits

As at 30 June 2019, pledged bank deposits represent deposit pledged to a bank to secure bank borrowings which is repayable less than twelve months and is therefore classified as current asset (2018: to secure bank borrowings which was repayable more than twelve months and is therefore classified as non-current asset). Pledged bank deposits carried a fixed interest rate of 1.75% per annum (2018: 0.73%).

### Time deposits with original maturity over three months

As at 30 June 2019, time deposits carried a fixed interest rate of 2.50% per annum (2018: 2.40%).

### Bank balances and cash

Bank balances carry interest at market rates which range from 0.01% to 0.03% (2018: 0.01% to 0.02%) per annum.

As at 30 June 2018, the Group's bank balances and cash denominated in RMB amounted to approximately HK\$26,092,000 (2019: nil). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

## 25. INVENTORIES

	2019 HK\$'000	2018 HK\$'000
Raw materials	—	206
Finished goods	—	1,334
	—	1,540

Through the disposal of subsidiaries during the year as detailed in Note 41, no inventories as at 30 June 2019.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 26. TRADE AND OTHER PAYABLES

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

	2019 HK\$'000	2018 HK\$'000
Trade payables	47,085	91,795
Retention money payables (Note a)	6,516	7,543
Accrued expenses and other payables (Note b)	10,296	12,208
Amount due to a former related company (Note c)	—	10,000
Dividend payable to non-controlling interests	779	779
	<u>64,676</u>	<u>122,325</u>

Notes:

- (a) As at 30 June 2019, retention money of approximately HK\$984,000 (2018: HK\$3,180,000) was expected to be paid or settled more than twelve months from the end of the reporting period but within its normal operating cycle.
- (b) As at 30 June 2019, included in accrued expenses and other payables was amount of approximately HK\$540,000 (2018: HK\$331,000) representing accrued directors' emoluments. The amount is unsecured, interest-free and repayable on demand.
- (c) As at 30 June 2018, the amount of HK\$10,000,000 (2019: nil) was due to a former related company of which a former director of the Company is the common director and has beneficial interest in that company. The amount was unsecured, interest-free and repayable on demand. The amount was fully repaid during the year 2019.

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

	2019 HK\$'000	2018 HK\$'000
Within 90 days	21,842	48,351
91 to 180 days	9,675	7,331
181 to 365 days	5,190	6,284
1 to 2 years	5,750	8,864
Over 2 years	4,628	20,965
	<u>47,085</u>	<u>91,795</u>

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 27. OBLIGATIONS UNDER FINANCE LEASES

	2019 HK\$'000	2018 HK\$'000
Analysed for reporting purposes as:		
Current liabilities	696	1,437
Non-current liabilities	—	151
	<u>696</u>	<u>1,588</u>

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term ranged from 1 to 1.5 years (2018: 2 to 3 years) throughout the year ended 30 June 2019. During the year ended 30 June 2019, the effective interest rate ranged from 1.23% to 1.28% (2018: 1.23% to 1.28%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Analysed for reporting purposes as:				
Within one year	703	1,531	696	1,437
After one year but less than two years	—	153	—	151
	<u>703</u>	<u>1,684</u>	<u>696</u>	<u>1,588</u>
Less: future finance charges	(7)	(96)	N/A	N/A
Present value of obligations under finance lease	<u>696</u>	<u>1,588</u>		
Less: amount due for settlement with 12 months (shown under current liabilities)			(696)	(1,437)
Amount due for settlement after 12 months			<u>—</u>	<u>151</u>

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 28. BANK BORROWINGS

	2019 HK\$'000	2018 HK\$'000
Secured and guaranteed	2,146	90,143
Carrying amount of bank borrowings repayable (based on scheduled repayment dates set out in the loan agreement)		
– Within one year	2,146	28,719
– After one year but within two years	–	2,146
– After two years but within five years	–	59,278
	2,146	90,143
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	–	59,278
Carrying amount of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause	–	23,712
Carrying amount repayable within one year	2,146	5,007
Amounts shown under current liabilities	2,146	87,997
Amounts shown under non-current liabilities	–	2,146
	2,146	90,143

As at 30 June 2018 and 2019, bank borrowings for Hong Kong carried at Hong Kong Interbank Offered Rate (“HIBOR”) plus 2.5% which is 3.30% to 3.67% per annum. The bank borrowings and general banking facilities were secured and/or guaranteed by the corporate guarantee given by the Company and the Group’s pledged bank deposits as disclosed in Note 24.

As at 30 June 2018, bank borrowings for the PRC carried at a fixed interest rate of 6.00% to 6.87% per annum. The bank borrowings and general banking facilities were secured and/or guaranteed given by an independent third party and the Group’s prepaid lease payments as disclosed in Note 17.

During the year ended 30 June 2018, the Group obtained new loans in the amount of approximately HK\$99,787,000 (2019: nil) (of which approximately HK\$86,787,000 was from the acquisition of a subsidiary as disclosed in Note 39). The loans bear interest at HIBOR plus 2.5% and fixed interest rate of 6.00% to 6.87% per annum and will be repayable in 2019 and 2021. The proceeds were used to finance the operation of the subsidiaries.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 29. LONG SERVICE PAYMENT OBLIGATIONS

The long service payment obligations is as follows:

	2019 HK\$'000	2018 HK\$'000
At beginning of the year	326	326
Provision for the year	106	—
At the end of the year	<u>432</u>	<u>326</u>

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 2019 and 2018, the amount is calculated based on the principal assumptions stated as below:

	2019	2018
Salary inflation rate	3.50%	3.50%
Discount rate	1.63%	2.20%

## 30. DEFERRED TAX

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

	Business combination HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 July 2017	—	(523)	—	(523)
Charged to profit or loss (Note 9)	—	(26)	(2,891)	(2,917)
Acquisition of a subsidiary (Note 39)	(2,270)	—	3,721	1,451
At 30 June and 1 July 2018	(2,270)	(549)	830	(1,989)
Charged to profit or loss (Note 9)	—	93	—	93
Disposal of a subsidiary (Note 41)	2,270	—	(830)	1,440
At 30 June 2019	<u>—</u>	<u>(456)</u>	<u>—</u>	<u>(456)</u>

As at 30 June 2018, tax losses can be carried forward against future taxable income but will expire within five years from the year of origination.

# Notes to the Consolidated Financial Statements

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## 31. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
<i>Authorised:</i>		
Ordinary share of HK\$0.01 each at 1 July 2017	2,000,000,000	20,000
Sub-division (Note)	<u>8,000,000,000</u>	<u>—</u>
Ordinary share of HK\$0.002 each at 30 June 2018, 1 July 2018 and 30 June 2019	<u>10,000,000,000</u>	<u>20,000</u>
<i>Issued and fully paid:</i>		
Ordinary share of HK\$0.01 each at 1 July 2017	1,118,800,000	11,189
Sub-division (Note)	<u>4,475,200,000</u>	<u>—</u>
Ordinary share of HK\$0.002 each at 30 June 2018, 1 July 2018 and 30 June 2019	<u>5,594,000,000</u>	<u>11,189</u>

Note: Pursuant to an extraordinary general meeting of the Company held on 7 February 2018, each of the Company's issued and unissued shares of HK\$0.01 each was sub-divided into five new shares of HK\$0.002 each. The sub-division of shares was completed on 7 February 2018. Details of the shares sub-division are set out in the Company's announcements dated 8 January 2018 and 7 February 2018 respectively.

## 32. CAPITAL RISK MANAGEMENT

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 33. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2019 HK\$'000	2018 HK\$'000
Financial assets		
Available-for-sale investment	N/A	1,974
Financial assets at FVTOCI	1,949	—
Financial assets at amortised cost/loans and receivables (including pledged bank deposits, time deposits with original maturity over three months and bank balances and cash)	<u>148,000</u>	<u>311,034</u>
Financial liabilities		
At FVTPL	—	12,770
At amortised cost	<u>67,518</u>	<u>214,011</u>

### Financial risk management objectives and policies

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

#### **Market risk**

##### *Currency risk*

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### Currency risk (Continued)

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

	Assets		Liabilities	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
USD	560	—	—	—
RMB	—	353	—	12,770

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

##### Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2018: 5%) increase or decrease in HK\$ against RMB for the years ended 30 June 2019. 5% is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. A positive number below indicates an decrease in post-tax loss (2018: an increase in post-tax profit) where RMB strengthen 5% (2018: 5%) against HK\$. For a 5% (2018: 5%) weakening of RMB against HK\$, there would be an equal and opposite impact on the post-tax (loss) profit.

	HK\$'000	
	2019	2018
Profit or loss	—	(518)

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### *Market risk (Continued)*

##### *Interest rate risk*

As at 30 June 2019 and 2018, the Group is exposed to cash flow interest rate risk in relation to its variable rate bank balances and certain bank borrowings and is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposit, time deposits with original maturity over three months and obligations under finance leases and certain bank borrowings.

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

As at 30 June 2019 and 2018, the Group had minimal exposure to interest rate risk and no sensitivity analysis is performed below.

##### *Credit risk*

As at 30 June 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

As at 30 June 2018, impairment loss was recognised when there was objective evidence of impairment loss.

Starting from 1 July 2018, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. In estimating the ECL, the Group determines the ECL on an individual basis for each debtor. The Group estimated the ECL based on historical credit loss experience, adjusted for factors that are specific to the debtors, the general economic conditions and an assessment of both the current as well as the forecast conditions at the reporting date, including time value of money where appropriate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### *Credit risk (Continued)*

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

Management considered rental deposits, deposits and other receivables, loan and interest receivables, and consideration receivable to be low credit risk and thus measurement of the loss allowance was limited to 12-month ECL.

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

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

#### *The Group's exposure to credit risk*

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

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

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

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

As at 30 June 2019	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Rental deposits	Performing	12-month ECL	178	—	178
Loan and interest receivable	Performing	12-month ECL	9,965	—	9,965
Consideration receivable	Performing	12-month ECL	21,400	—	21,400
Pledged bank deposits	(Note)	12-month ECL	1,411	—	1,411
Trade receivables	N/A	Lifetime ECL simplified approach	55,535	—	55,535
Deposits and other receivables	Performing	12-month ECL	1,339	—	1,339
Time deposits with original maturity over three months	(Note)	12-month ECL	10,000	—	10,000
Bank balances and cash	(Note)	12-month ECL	48,172	—	48,172

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### *Credit risk (Continued)*

The Group has concentration of credit risk as 31% (2018: 49%) of the total trade receivables at 30 June 2019 was due from the Group's largest customer.

The Group has concentration of credit risk as 95% (2018: 74%) of the total trade receivables at 30 June 2019 was due from the Group's five largest customers.

The Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for 100% (2018: 100%) of the total trade receivables as at 30 June 2019.

#### *Liquidity risk*

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The table includes both interest and principal cash flows.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk (continued)

##### Liquidity table

	On demand or within 1 year HK\$'000	1-5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
<b>At 30 June 2019</b>				
Trade and other payables	64,676	—	64,676	64,676
Bank borrowings (Note)	2,339	—	2,339	2,146
Obligations under finance leases	703	—	703	696
	<u>67,718</u>	<u>—</u>	<u>67,718</u>	<u>67,518</u>
<b>At 30 June 2018</b>				
Trade and other payables	122,280	—	122,280	122,280
Contingent payable	6,835	6,728	13,563	12,770
Bank borrowings (Note)	88,206	2,235	90,441	90,143
Obligations under finance leases	1,531	153	1,684	1,588
	<u>218,852</u>	<u>9,116</u>	<u>227,968</u>	<u>226,781</u>

Note: As at 30 June 2018, certain bank borrowings with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. The aggregate undiscounted principal amount of such bank borrowing amounted to approximately HK\$82,990,000. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that the installment loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$93,058,000.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 33. FINANCIAL INSTRUMENTS (Continued)

### Fair value measurement

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

Financial liabilities	Fair value Hierarchy	Valuation techniques and key inputs	Fair value	
			2019 HK'000	2018 HK'000
Financial assets at FVTOCI (Note 1)	Level 3	Market approach — By reference to the price to book ratio of 0.65	1,949	N/A

Financial liabilities	Fair value Hierarchy	Valuation techniques and key inputs	Fair value	
			2019 HK'000	2018 HK'000
Contingent payable classified as financial liabilities at FVTPL (Note 2)	Level 3	Income approach-By reference to the present value of the expected future economic benefits to be derived from the subsidiary based on an appropriate discount rate	—	12,770

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

Note 2: As at 30 June 2018, the significant unobservable inputs were revenue growth rate of approximately 14% and 9% in calendar year 2018 and 2019 respectively, taking into account management's experience and knowledge of market conditions of the specific industries. The relationship of key inputs and significant unobservable inputs to fair value was the lower the growth rate of revenue, the lower would be the fair value.

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 33. FINANCIAL INSTRUMENTS (Continued)

### Fair value measurement (Continued)

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

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

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

	<b>Financial assets at FVTOCI HK\$'000</b>
At 30 June 2018	1,974
Adoption of HKFRS 9 (note 2)	<u>768</u>
At 1 July 2018 (restated)	2,742
Fair value changes recognised in other comprehensive income	<u>(793)</u>
At 30 June 2019	<u><u>1,949</u></u>

	<b>Financial liability Contingent payable HK\$'000</b>
At 1 July 2018	—
Acquisition of a subsidiary	12,900
Fair value changes recognised in consolidated statement of profit or loss	<u>(130)</u>
At 30 June 2018	12,770
Fair value changes recognised in consolidated statement of profit or loss	<u>(12,770)</u>
At 30 June 2019	<u><u>—</u></u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 34. 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 options are granted since the adoption of the share option scheme and there are no outstanding share options as at 30 June 2018 and 2019.

## 35. RETIREMENT BENEFITS PLANS

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

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

During the years ended 30 June 2019 and 2018, the total expense recognised in the consolidated statement of profit or loss and other comprehensive income is approximately HK\$1,254,000 and HK\$1,265,000 respectively, which represent contributions payable to these schemes by the Group at rates specified in the rules of the scheme.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 36. OPERATING LEASE COMMITMENTS

### The Group as lessee

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

	2019 HK\$'000	2018 HK\$'000
Within one year	1,028	2,745
In the second to fifth year inclusive	343	1,268
	<u>1,371</u>	<u>4,013</u>

Operating lease payments represents rentals payable by the Group for its office premises and a motor license. Leases are negotiated and rentals are fixed for a term ranging from 1 to 2 years (2018: 2 to 3 years).

## 37. CONTINGENT LIABILITIES

### Contingent liabilities in respect of legal claims

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

### Guarantee issued

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

	2019 HK\$'000	2018 HK\$'000
Performance bonds in favor of its clients	<u>2,822</u>	<u>7,408</u>

As at 30 June 2019 approximately HK\$2,822,000 (2018: HK\$7,408,000) of performance bonds were given by bank in favour of some of the Group's customers as security for the performance and observance of the Group's obligations under the service contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work for the relevant customers.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	1 July 2018 HK\$'000	Financing cash flows HK\$'000	Disposal of subsidiaries HK\$'000 (Note 41)	Finance cost incurred HK\$'000	Foreign exchange adjustments HK\$'000	Non-cash changes	30 June 2019 HK\$'000
						New finance lease arrangements HK\$'000 (Note 44)	
Obligations under finance leases	1,588	(2,023)	—	—	—	1,131	696
Interest payable	—	(5,337)	—	5,337	—	—	—
Bank borrowings	90,143	(8,386)	(79,611)	—	—	—	2,146
	<u>91,731</u>	<u>(15,746)</u>	<u>(79,611)</u>	<u>5,337</u>	<u>—</u>	<u>1,131</u>	<u>2,842</u>

	1 July 2017 HK\$'000	Financing cash flows HK\$'000	Acquisition of a subsidiary HK\$'000 (Note 39)	Finance cost incurred HK\$'000	Foreign exchange adjustments HK\$'000	Non-cash changes	30 June 2018 HK\$'000
						New finance lease arrangements HK\$'000 (Note 44)	
Obligations under finance leases	1,871	(2,042)	—	—	—	1,759	1,588
Interest payable	—	(1,170)	—	1,170	—	—	—
Bank borrowings (Note)	—	7,053	86,787	—	(3,697)	—	90,143
	<u>1,871</u>	<u>3,841</u>	<u>86,787</u>	<u>1,170</u>	<u>(3,697)</u>	<u>1,759</u>	<u>91,731</u>

Note: The cash flows represent the net amount of new bank borrowings raised and repayment of bank borrowings in the consolidated statement of cash flows.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 39. ACQUISITION OF A SUBSIDIARY

Pursuant to a sales and purchase agreement dated 19 September 2017, the Group acquired 55% equity interest of Jiangyin Grabene at a cash consideration of RMB35,750,000 from Jiangsu Longjia Investment Co., Ltd. (the "Vendor"), an independent third party of the Group.

Pursuant to a supplemental agreement to the sales and purchase agreement dated 29 December 2017, the Vendor deposited RMB12,000,000 (the "PG Security Deposit") to the Group on the completion date of the acquisition as a security for the performance of the obligations of the Vendor under the profit guarantee, comprising:

- (a) RMB6,000,000 ("2018 PG Security Deposit") as security deposit for the fulfillment of the profit guarantee for the year ended 31 December 2018 ("2018 Profit Guarantee"); and
- (b) the remaining RMB6,000,000 ("2019 PG Security Deposit") as security deposit for the fulfillment of the profit guarantee for the year ended 31 December 2019 ("2019 Profit Guarantee").

In the event that the actual profits of Jiangyin Grabene for the year ended 31 December 2018 and/or 31 December 2019 is equal to or more than the 2018 and/or 2019 Profit Guarantee of RMB6,000,000 respectively, the Group shall return the 2018 and/or 2019 PG Security Deposit to the Vendor accordingly. In the event that the actual profits for the year ended 31 December 2018 and/or 31 December 2019 is less than the 2018 and/or 2019 Profit Guarantee, the Group shall have the right to deduct certain shortfall amount from the 2018 and/or 2019 PG Security Deposit based on the agreed calculation and return the remaining amount to the Vendor.

Details of the acquisition are disclosed in the circular of the Company dated 19 March 2018.

The transaction was completed in 23 April 2018.

Jiangyin Grabene is engaged in the sales of visible light photocatalysis products in the PRC. The Group has acquired Jiangyin Grabene so as to expand to this new market segment. The acquisition has been accounted for using acquisition method. The amount of goodwill arising as a result of the acquisition was approximately HK\$10,234,000.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 39. ACQUISITION OF A SUBSIDIARY (Continued)

Consideration	HK\$'000
Cash consideration	44,321
PG Security Deposit	(14,875)
Contingent payable (Note)	<u>12,900</u>
Total	<u><u>42,346</u></u>

Note: The fair values of the non-current and current portion of contingent payable as at the acquisition date and as at 30 June 2018 are approximately HK\$6,496,000, HK\$6,404,000 and HK\$6,629,000, HK\$6,141,000 respectively. During the year ended 30 June 2018, gain on fair value change of contingent payable of approximately HK\$130,000 was recognised in the consolidated statement of profit or loss and other comprehensive income.

The fair values have been determined based on profit forecast projections of Jiangyin Grabene with reference to valuations performed by the Valuer which were within Level 3 fair value measurements hierarchy as disclosed in Note 33.

Assets acquired and liabilities recognised at the date of acquisition are as follows:	HK\$'000
Property, plant and equipment	44,420
Prepaid lease payments	41,534
Inventories	740
Trade and other receivables	56,671
Bank balances and cash	5,883
Deferred tax asset	1,451
Trade and other payables	(5,526)
Bank borrowings	<u>(86,787)</u>
	<u><u>58,386</u></u>

Goodwill arising on acquisition:	HK\$'000
Consideration	42,346
Add: non-controlling interests (45% interest in Jiangyin Grabene, at proportionate share)	26,274
Less: net assets acquired	<u>(58,386)</u>
Goodwill arising on acquisition	<u><u>10,234</u></u>



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 39. ACQUISITION OF A SUBSIDIARY (Continued)

Net cash outflow on acquisition of Jiangyin Grabene	HK\$'000
Net cash consideration paid	29,446
Less: cash and cash equivalent balances acquired	<u>(5,883)</u>
	<u>23,563</u>

Goodwill arose in the acquisition of Jiangyin Grabene because the cost of the combination included a control premium. The goodwill arising on the acquisition is not expected to be deductible for tax purposes.

Acquisition-related costs amounting to approximately HK\$3,842,000 had been excluded from the consideration transferred and have been recognised as an expense during the year ended 30 June 2018, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Included in the profit for the year is approximately HK\$8,240,000 attributable to the additional business generated by Jiangyin Grabene. Revenue for the year includes approximately HK\$23,027,000 generated from Jiangyin Grabene.

Had the acquisition been completed on 1 July 2017, total revenue of the Group for the year would have been approximately HK\$487,446,000, and profit for the year would have been approximately HK\$3,810,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2017, nor is it intended to be a projection of future results.

In determining the “pro-forma” revenue and profit of the Group had Jiangyin Grabene been acquired at the beginning of the current year, the Directors have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 40. CONTINGENT PAYABLE

The fair value of the contingent payable represented the profit guarantee in relation to the adjustments to the consideration for the acquisition of Jiangyin Grabene during the year ended 30 June 2018 as detailed in Note 39 above. Contingent payable is measured at fair value at the end of the reporting period. The movement of contingent payable is as follows:

	2019 HK\$'000	2018 HK\$'000
At fair value:		
At beginning of the year/acquisition of a subsidiary (Note 39)	12,770	12,900
Fair value change	(12,770)	(130)
At the end of the year	—	12,770

As the Profit Guarantee as stated in Note 39 could not be met, fair value change of approximately HK\$12,770,000 was recognised.

## 41. DISPOSAL OF SUBSIDIARIES

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 41. DISPOSAL OF SUBSIDIARIES (Continued)

Analysis of assets and liabilities over which control was lost:

	<b>28/6/2019</b>
	<b>HK\$'000</b>
Property, plant and equipment	39,194
Prepaid lease payment	37,428
Inventories	8,670
Trade and other receivables	72,324
Bank balances and cash	19
Bank borrowings	(79,611)
Trade and other payables	(13,055)
Deferred tax liabilities	(1,440)
Non-controlling interest	(24,937)
	<hr/>
Net assets disposed of	38,592
	<hr/> <hr/>

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 42. RELATED PARTY TRANSACTIONS

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

### Compensation of key management personnel

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

	2019 HK\$'000	2018 HK\$'000
Short-term benefits	13,185	13,802
Post-employment benefits	152	152
	<u>13,337</u>	<u>13,954</u>

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries		9,790	9,790
<b>Current assets</b>			
Other receivables		21,763	1,155
Amounts due from subsidiaries	(a)	8,861	65,524
Bank balances and cash		28	121
		<u>30,652</u>	<u>66,800</u>
<b>Current liabilities</b>			
Accruals and other payables		2,539	197
Amounts due to subsidiaries	(a)	1,750	24,838
		<u>4,289</u>	<u>25,035</u>
Net current assets		<u>26,363</u>	<u>41,765</u>
Net assets		<u>36,153</u>	<u>51,555</u>
<b>Capital and reserves</b>			
Share capital		11,189	11,189
Reserves	(b)	24,964	40,366
Total equity		<u>36,153</u>	<u>51,555</u>

Notes:

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

(b) **Movement in reserves**

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2017	77,790	(32,666)	45,124
Loss and total comprehensive expenses for the year	—	(4,758)	(4,758)
At 30 June 2018 and 1 July 2018	77,790	(37,424)	40,366
Loss and total comprehensive expenses for the year	—	(15,402)	(15,402)
At 30 June 2019	<u>77,790</u>	<u>(52,826)</u>	<u>24,964</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 30 June 2019 and 2018 are as follow:

Name of subsidiary	Place of incorporation/operation	Class of shares/capital held	Issued and fully paid-up capital	Percentage of ownership interest and voting power held by the Company		Principal activities
				2019	2018	
<b>Directly held</b>						
ABO	The BVI	Ordinary	United States Dollar ("USD") \$89,600	100%	100%	Investment holding
Sino Kaiser Limited (Note)	The BVI	Ordinary	USD \$1	—	100%	Investment holding
Sino Baron Group Limited	The BVI	Ordinary	USD \$1	100%	100%	Investment holding
<b>Indirectly held</b>						
Sing Fat Construction	Hong Kong	Ordinary	HK\$10,200,000	99.61%	99.61%	Provision of building maintenance and renovation services
Synergy Rise Investment Limited (Note)	Hong Kong	Ordinary	HK\$1,000	—	100%	Inactive
Richwise Power Investment Limited	Hong Kong	Ordinary	HK\$1	100%	100%	Provision of administrative services to group companies
Star Richly Inc. Limited	Hong Kong	Ordinary	HK\$1	100%	100%	Inactive
Chong Hui Enterprises Limited	The BVI	Ordinary	USD \$1	100%	100%	Inactive
Shing Mining Development Company Limited	Hong Kong	Ordinary	HK\$1	100%	100%	Inactive
Jiangyin Grabene (Note)	PRC	Paid-up Capital	RMB100,000,000	—	55%	Sales of visible light photocatalysis products

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

Note: Being subsidiary disposed of during the year ended 30 June 2019. For disposal of subsidiaries, details are disclosed in Note 41.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The summarised financial information in respect of a subsidiary of the Group, Jiangyin Grabene that has non-controlling interest that is material to the Group, before intragroup eliminations for the year ended 30 June 2018:

<b>Jiangyin Grabene</b>	<b>30/6/2018</b> <b>HK\$'000</b>
Current assets	<u>75,866</u>
Non-current assets	<u>81,677</u>
Current liabilities	<u>(91,915)</u>
Non-current liabilities	<u>(1,440)</u>
Equity attributable to owners of the Company	<u>35,303</u>
Non-controlling interests	<u>28,885</u>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

	<b>From the date of completion to 30 June 2018 HK\$'000</b>
Revenue	23,027
Profit attributable to owners of the Company	4,532
Profit attributable to the non-controlling interests	3,708
Profit for the year	8,240
Other comprehensive expense attributable to owners of the Company	(1,341)
Other comprehensive expense attributable to non-controlling interests	(1,097)
Other comprehensive expense for the year	(2,438)
Total comprehensive income attributable to owners of the Company	3,191
Total comprehensive income attributable to non-controlling interests	2,611
Total comprehensive income for the year	5,802
Net cash inflow from operating activities	21,224
Net cash outflow from investing activities	(265)
Net cash outflow from financing activities	(1,223)
Net cash inflow	19,736

## 45. MAJOR NON-CASH TRANSACTION

During the year ended 30 June 2019, the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the leases of approximately HK\$1,131,100 (2018: HK\$1,759,000).



## Group Financial Summary

	2019 HK\$'000	2018 HK\$'000 (Restated)	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	415,529	443,556	513,455	488,065	503,195
Cost of sales	(384,558)	(401,852)	(468,269)	(443,118)	(450,790)
<b>Gross profit</b>	<b>30,971</b>	41,704	45,186	44,947	52,405
Other income	1,839	2,021	1,475	322	332
Gain (loss) on fair value change on held-for-trading investments	—	—	59	(1,135)	—
Operating expenses	(41,321)	(37,715)	(39,824)	(26,988)	(36,250)
<b>(Loss) profit before taxation</b>	<b>(8,511)</b>	6,010	6,896	17,146	16,487
Income tax expenses	(742)	(2,841)	(5,511)	(5,491)	(5,525)
<b>(Loss) profit for the year from continuing operations</b>	<b>(9,253)</b>	3,169	1,385	11,655	10,962
<b>Discontinued operation</b>					
<b>(Loss) profit for the year from discontinued operation</b>	<b>(9,185)</b>	4,244	—	—	—
<b>(Loss) profit for the year</b>	<b>(18,438)</b>	7,413	1,385	11,655	10,962
<b>Assets and liabilities</b>					
Non-current assets	16,894	103,935	8,886	7,854	5,527
Current assets	214,171	331,235	273,895	274,490	303,749
Current liabilities	(67,785)	(221,063)	(109,035)	(110,281)	(149,355)
<b>Total assets less current liabilities</b>	<b>163,280</b>	214,107	173,746	172,063	159,921
Non-current liabilities	(888)	(10,753)	(1,641)	(1,343)	(856)
<b>Net assets</b>	<b>162,392</b>	203,354	172,105	170,720	159,065
<b>Capital and reserves</b>					
Share capital	11,189	11,189	11,189	11,189	11,189
Reserves	150,568	162,662	160,353	159,040	147,459
Non-controlling interests	635	29,503	563	491	417
<b>Total equity</b>	<b>162,392</b>	203,354	172,105	170,720	159,065