BASETROPHY GROUP HOLDINGS LIMITED
基地錦標集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8460

ANNUAL REPORT 2017

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Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Ms. Yuen Suk Har *(Chairman)*
Mr. Lau Chung Ho *(Chief Executive Officer)*

Independent non-executive Directors:

Mr. Ng Ki Man
Mr. Iu Tak Meng Teddy
Mr. Chong Kam Fung

AUDIT COMMITTEE

Mr. Ng Ki Man *(Chairman)*
Mr. Iu Tak Meng Teddy
Mr. Chong Kam Fung

REMUNERATION COMMITTEE

Mr. Iu Tak Meng Teddy *(Chairman)*
Mr. Ng Ki Man
Ms. Yuen Suk Har
Mr. Chong Kam Fung

NOMINATION COMMITTEE

Ms. Yuen Suk Har *(Chairman)*
Mr. Ng Ki Man
Mr. Iu Tak Meng Teddy
Mr. Chong Kam Fung

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark, 11 Pedder Street
Central
Hong Kong

COMPANY SECRETARY

Ms. Yim Sau Ping

AUTHORISED REPRESENTATIVES

Mr. Lau Chung Ho
Ms. Yim Sau Ping

COMPLIANCE OFFICER

Mr. Lau Chung Ho

COMPLIANCE ADVISER

Frontpage Capital Limited
26/F, Siu On Centre
188 Lockhart Road
Wan Chai
Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAWS

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REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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34 Tai Yau Street
San Po Kong
Kowloon

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANDSER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Dah Sing Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

COMPANY'S WEBSITE

www.wbgroupfw.com.hk

STOCK CODE

8460

Chairman's Statement

It is my great honor to present the annual report for the year ended 31 December 2017 of Basetrophy Group Holdings Limited and its subsidiaries. On behalf of the Board of Directors (the "**Board**"), I would like to express my sincerest gratitude to all shareholders and stakeholders who supports the Group's direction and planning, we shall continue to ride the right cogitation, keep abreast of the momentum in town and uplift our efficiency towards the forefront with which maximizing the return to our shareholders.

OVERVIEW

The Group has successfully listed on GEM of the Stock Exchange (the "**Listing**") on 27 June 2017 (the "**Listing Date**"). With the raised capital generated from the Listing, the Group has greater opportunities to step further; not only able to enhance productivity with newly acquired machinery and equipment, the positioning of the Group has steadily been strengthened in the foundation industry.

For the year ended 31 December 2017, the Group recorded a total revenue of approximately HK$138.3 million, representing an increase of 4.9% as compared to approximately HK$131.8 million for the year ended 31 December 2016. The Group recorded a net loss of approximately HK$6.0 million for the year ended 31 December 2017, it was mainly contributed by the non-recurring listing expenses. Excluding the listing expenses, the Group's net profit for the year was approximately HK$1.7 million.

PROSPECT

Upcoming year might not be easy for the foundation business sector. The Board considered pricing competition could be an unavoidable scene alongside with the slow approval progress of infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong that indirectly squeezing the tender prices of the private foundation sector that the Group was mainly engaging herein.

Despite the shrinking profit margin which has been triggered by such phenomenon, the Group tends to implement stringent control over cost evaluation and site monitoring to eliminate resources being wasted, encourage all level staff to participate in regular meetings to give suggestions to enhance efficiency, assure a good working environment for workers so as to enrich loyalty and keep the right personnel to safeguard overall effectiveness.

Widening the client base in the public foundation sector tends to be a potential business opportunity in next financial year. Despite the woes that have been spurred by the prevailing keen competition, the Group has established a project team to target prominent clients whom generally have fruitful construction projects in hand. With the Group's well-performed foundation business intelligence, satisfactory achievement in this business sector is optimistic.

The Board believes that the Listing has enhanced the Group's image in relevant business sectors. Couple with our positive and energetic business strategy in upcoming year, it is expected that greater value could be generated and contributed to its shareholders and investors.

Yuen Suk Har
Chairman and Executive Director

Hong Kong, 26 March 2018

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a substructure subcontractor in Hong Kong capable of (i) foundation and site formation works, which mainly include ELS works, sheet piling, pipe piling, pre-boring, pre-bored H-piling, mini-piling, and bored piling; and (ii) other geotechnical engineering works such as slope works and other minor geotechnical works such as shotcreting.

For the year ended 31 December 2017, the Group recorded a net loss of approximately HK$6.0 million as compared to a net profit of approximately HK$7.5 million for the same period in 2016. The Directors are of the view that the net loss were primarily due to the decrease in gross profit as well as the non-recurring listing expenses incurred during 2017. Set aside the listing expenses, the Group's net profit for the year ended 31 December 2017 would be approximately HK$1.7 million. In view that there has been increasing number of project quotation invitations received by the Group from the potential customers, and that the net proceeds from the public offer of the shares of the Company can expand the Group's operational capacity, the Directors are cautiously optimistic about the Group's business outlook.

OUTLOOK

The shares of the Company were listed on GEM on 27 June 2017 by way of public offer. The Group always strives to improve its operation efficiency and profitability of its business. The Group plans to expand its fleet of machinery and equipment, which enhance the basis of its technical capability to bid future projects. The Group will also proactively seek potential business opportunities that will broaden the sources of income and enhance value to the shareholders. The net proceeds from the public offer of the shares thereby provide financial resources to the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in foundation and site formation works and other geotechnical engineering works.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group control. The Directors believe the more significant risks relating to the business are as follows:

– A significant portion of the Group's revenue was generated from contracts which were not recurrent in nature and were awarded by a few customers, and there is no guarantee that the customers will provide the Group with new business;

– As the Group from time to time engage subcontractors in the works, the Group may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of the Group's subcontractors; and

– There may be discrepancies between the ground investigation findings and the actual geological conditions of the site which may cause the Group to incur additional cost or result in potential claims which are not insured and adversely affect the Group's profitability as the related contracts are usually fixed sum without price adjustment mechanism.

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in the prospectus of the Company dated 14 June 2017 (the "**Prospectus**").

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2017, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's environmental, social and governance ("**ESG**") strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

The details of ESG performance of the Group are set out in the ESG Report on pages 32 to 42 of this report.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

The Group maintains a good relationship with its employees and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers and suppliers, without whom success in the Group's production and operation would be at risk.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$6.5 million or 4.9% from approximately HK$131.8 million for the year ended 31 December 2016 to approximately HK$138.3 million for the year ended 31 December 2017.

Costs of Sales

The Group's cost of sales increased from approximately HK$107.2 million for the year ended 31 December 2016 to approximately HK$122.2 million for the year ended 31 December 2017, representing an increase of approximately HK$15.0 million or 14.0%. Such increase was mainly due to the increase in construction costs and subcontracting charges for the year ended 31 December 2017.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 December 2017 were approximately HK$16.1 million, representing a decrease of approximately 34.6% from approximately HK$24.6 million for the year ended 31 December 2016. Such decrease was mainly due to the decrease in gross profit margin. The Group's gross profit margin for the year ended 31 December 2017 was approximately 11.6%, representing a decrease of approximately 7.1 percentage points as compared to approximately 18.7% for the year ended 31 December 2016. Such decrease were primarily due to the competitive project pricing arising from intense market competition and the delay in works progress for the year ended 31 December 2017.

Management Discussion and Analysis

Administrative and other Operating Expenses

The Group's administrative and other operating expenses for the year ended 31 December 2017 were approximately HK$21.8 million, representing an increase of approximately HK$6.9 million or 46.3% from approximately HK$14.9 million for the year ended 31 December 2016, primarily due to the increase in non-recurring listing expenses and professional fees incurred after listing for the year ended 31 December 2017.

Finance Costs

Finance costs of the Group are approximately HK$0.5 million for the years ended 31 December 2016 and 2017. Finance costs consist of interest on bank borrowings and overdrafts and interest on obligations under finance leases. The Group's finance costs remained stable for both periods.

Income Tax Expense

Income tax expense for the Group decreased by approximately HK$1.9 million or 73.1% from approximately HK$2.6 million for the year ended 31 December 2016 to approximately HK$0.7 million for the year ended 31 December 2017. The decrease was mainly due to the decrease in the taxable profit for the year ended 31 December 2017.

Loss/Profit for the year

For the year ended 31 December 2017, the Group recorded a loss attributed to owners of the Company of approximately HK$6.0 million as compared to profit for the year ended 31 December 2016 of approximately HK$7.5 million. The loss were attributed to owner of the Company were mainly attributable to the decrease in gross profit and the increase in administrative and other operating expenses and the non-recurring listing expenses for the year ended 31 December 2017 as mentioned above. Set aside the listing expenses, the Group's net profit for the year ended 31 December 2017 would be approximately HK$1.7 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders.

As at 31 December 2017, the Group had cash and bank balances of approximately HK$58.3 million (2016: HK$5.5 million).

As at 31 December 2017, the Group's total equity attributable to owners of the Company amounted to approximately HK$71.3 million (2016: HK$32.3 million). As of the same date, the Group's total debt, comprising bank borrowings and liability of the finance lease obligations, amounted to approximately HK$14.2 million (2016: HK$15.7 million).

On the Listing Date, the Company was listed on GEM by way of public offer and completed the public offer of 250,000,000 shares by offer price of HK$0.24 per share. The net proceeds from the Listing amounted to approximately HK$39.4 million. The Directors believe that with the new capital from the public offer, the Group is in a healthy financial position to expand its business and achieve its business objectives.

BORROWINGS AND GEARING RATIO

As at 31 December 2017, the Group had borrowings of approximately HK$14.2 million which was denominated in Hong Kong Dollars (2016: HK$15.7 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 December 2017, the gearing ratio of the Group, calculated as the total interest-bearing liabilities divided by the total equity, was approximately 20.0% (2016: 48.7%).

TREASURY POLICY

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

CHARGE ON GROUP ASSETS

As at 31 December 2017, the Group has pledged its machinery and equipment with an aggregate net book value of approximately HK$8.7 million (2016: HK$3.3 million) and motor vehicles with an aggregate net book value of approximately HK$3.1 million (2016: HK$1.6 million).

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group were mainly transacted in Hong Kong Dollars which is the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 27 June 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2017, the Company's issued share capital was HK$10 million and the number of its issued ordinary shares was 1,000,000,000 of HK$0.01 each.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had material capital commitments of approximately HK$2.8 million (2016: Nil) contracted but not provided for property, plant and equipment. The details of capital commitments are set out in Note 27(a) to the consolidated financial statements.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on Note 5 to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this report, the Group did not have other plans for material investments or capital assets as of 31 December 2017.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2017, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the corporate reorganisation (as detailed in the Prospectus).

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities (2016: Nil).

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

During the year ended 31 December 2017, a wholly-owned subsidiary of the Company declared an interim dividend in the sum of HK9.0 million to its then shareholder, which approximately HK$0.6 million were settled by cash and the remaining balance of approximately HK$8.4 million was settled by offset against the amount due from a director.

Management Discussion and Analysis

INFORMATION ON EMPLOYEES

As at 31 December 2017, the Group had 39 full-time employees working in Hong Kong (2016: 52). The total staff costs, including Directors' emoluments and mandatory provident funds contributions, of the Group were approximately HK$17.5 million for the year ended 31 December 2017 (2016: HK$33.9 million).

Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees.

Details of the Company's share option schemes is set out in Note 21 to the consolidated financial statement.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2017 is set out below:

Business Strategies as stated in the Prospectus	**Business objectives up to 31 December 2017 as stated in the Prospectus**	**Actual business progress up to 31 December 2017**
Strengthening the Group's machinery fleet	– To acquire a new telescopic boom crawler crane for carrying out piling, ELS and pile caps works in the Group's foundation and site formation projects	The Group has purchased 1 new telescopic boom crawler crane.
	– To acquire a new hydraulic crawler drill for carrying out drilling and piling works in the Group's foundation and site formation projects	The Group has purchased 2 new hydraulic micro drilling rig.
	– To acquire two new air compressors	The Group is in the progress of purchasing 4 new air compressors.
	– To acquire other supporting tools and equipment and accessories to enhance the Group's machinery fleet	The Group has acquired other supporting tools and equipment and accessories.
	– To provide maintenance for the acquired machinery	The Group has paid the relevant maintenance expenditure during the period.
	– Evaluate the capacity of the Group's machinery fleet and assess for the need for additional machinery and equipment	The Group has acquired 2 new generators.

Business Strategies as stated in the Prospectus	Business objectives up to 31 December 2017 as stated in the Prospectus	Actual business progress up to 31 December 2017
Expanding the Group's manpower	– Recruit a project manager and an assistant project manager to strengthen the Group's project management and supervision capabilities	The Group has hired 1 assistant project manager and is in the progress of recruiting a project manager.
	– Recruit two machinery operators to enhance the Group's capacity on project execution	The Group has hired 1 machinery operator.
	– Recruit a foreman and a site engineer to enhance the Group's capacity on project execution	The Group is in the progress of recruiting foreman and site engineer.
	– Conduct staff training	The Group has provided internal training to staff.
	– Continue to assess the sufficiency of the human resources having regard to the Group's business development	
Purchase of steel materials	– Purchase of steel sheet piles, steel H-piles and steel bars for the Group's pile cap construction works of projects in Kowloon Tong and Sham Shui Po	The Group has purchased steel sheet piles, steel H-piles and steel bars for the pile cap construction works.

USE OF PROCEEDS

The net proceeds from the Listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK$39.4 million. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

An analysis of the utilisation of net proceeds from the Listing as at 31 December 2017 is set out below:

	Planned use of net proceeds up to 31 December 2017 HK$ million	Actual use of net proceeds up to 31 December 2017 HK$ million
Strengthening the Group's machinery fleet	6.4	7.2
Expanding the Group's manpower	2.0	0.3
Purchase of steel materials	4.4	4.4
General working capital	2.4	2.4

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

Biographical Details of the Directors and Senior Management

Biographical details of the Directors of the Company and the senior management of the Group are set out as follows:

EXECUTIVE DIRECTORS

Ms. Yuen Suk Har（袁淑霞）("**Ms. Yuen**"), aged 59, is the Chairman, an executive Director, a controlling shareholder and the co-founder of the Group. She has been a director of Workbase Engineering Limited ("**Workbase**") since July 2003. Ms. Yuen was appointed as a Director on 4 January 2016 and was redesigned as an executive Director on 22 September 2016. Ms. Yuen is responsible for the overall strategic management and development of the Group's business and operations and is the chairman of the nomination committee of the Company ("**Nomination Committee**") and a member of the remuneration committee of the Company ("**Remuneration Committee**").

Ms. Yuen completed secondary school education. Prior to co-founding the Group with Mr. Lau Chung Ho, Ms. Yuen gained over 24 years of experience in clerical and office work while being employed by the Government. From August 1977 to March 1982, she worked as an office assistant and clerical assistant in the Public Works Department of Hong Kong. In April 1982, she was employed as a clerical assistant at the Engineering Development Department and later joined the Civil Engineering Services Department of Hong Kong as clerical assistant in June 1986. From October 1989 to October 1997, she worked as a clerical officer II for the Inland Revenue Department, Customs and Excise Department and Education Department of Hong Kong respectively. From October 1997 to May 2002, she worked as an assistant clerical officer for the Education Department of Hong Kong. Ms. Yuen was awarded a 20 Years' Meritorious Service Certificate from the Government in 1998.

In July 2003, Ms. Yuen co-founded the Group's principal operating subsidiary, Workbase, with Mr. Lau Chung Ho, taking responsibility for its operation, business development, human resources, finance and administration, and has since accumulated over 14 years of experience in the construction industry.

Ms. Yuen is the spouse of Mr. Lau Chung Ho.

Mr. Lau Chung Ho（劉頌豪）("**Mr. Lau**"), aged 55, is the Chief Executive Officer, an executive Director, a controlling shareholder and the co-founder of the Group. Since July 2003, Mr. Lau has been a director of Workbase. Mr. Lau was appointed as a Director on 4 January 2016 and was redesignated as an executive Director on 22 September 2016. As a dedicated leader since the commencement of the Group's operations and a key member of the executive management team, Mr. Lau is responsible for overseeing the Group's operations, business development, human resources, finance and administration. Mr. Lau has over 34 years of experience in the construction industry, during which he gathered extensive knowledge of the industry and established close relationships with customers, suppliers and subcontractors alike.

Mr. Lau began his career as a technician apprentice in the Engineering Development Department of the Government in April 1983. He then worked as a works supervisor II in the Engineering Development Department, Civil Engineering Services Department and Drainage Services Department of the Government between July 1985 to November 1989. He worked as a sub-agent of Hon Charm Engineering Limited during December 1989 to June 1991. From June 1991 to August 1992, Mr. Lau worked as sub-agent in Super Bright Engineering Limited, and was appointed as director in KHL Projects Limited in September 1992. Mr. Lau then joined Kenly (HK) Limited as a contracts manager in January 1995 to December 2001, after which he worked as a director in Teamwork Civil Engineering Limited from January 2002 to May 2007.

Mr. Lau obtained a Certificate in Civil Engineering from Haking Wong Technical Institute in July 1985 and a Higher Certificate in Civil Engineering from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1988. Mr. Lau was also admitted as an associate member of the Hong Kong Institution of Engineers in November 1990. Mr. Lau completed the Metal Scaffold Erecting and Dismantling for In-Service Supervisor Course held by Construction Industry Training Authority and Safety Supervisor Training Course held by Hong Kong Safety Training Centre in July 2003 and May 2005, respectively.

Mr. Lau is the spouse of Ms. Yuen.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Ki Man (吳祺敏) ("**Mr. Ng**"), aged 32, was appointed as the independent non-executive Director on 7 June 2017. He is also the chairman of the audit committee of the Company ("**Audit Committee**") and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Ng is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Ng obtained a Bachelor of Business Administration (Honours) degree in Information Systems from the City University of Hong Kong in November 2008 and a Postgraduate Certificate in Professional Accounting in July 2009. Mr. Ng has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and Chartered Accountant of the Institute of Chartered Accountants in England and Wales since January 2012 and March 2012, respectively. Mr. Ng has over 9 years of experience in auditing and accounting services. From September 2015 to April 2016, Mr. Ng had been as the financial controller and company secretary of China Ruifeng Renewable Energy Holdings Limited (stock code: 527), a company listed on the Main Board of the Stock Exchange. Mr. Ng was the company secretary of Hao Tian International Construction Investment Group Limited (stock code: 1341) (formerly known as Clear Lift Holdings Limited), a company listed on the Main Board of the Stock Exchange, from April 2016 to February 2017. Since October 2016, Mr. Ng has been an independent non-executive director of Goal Forward Holdings Limited (stock code: 8240), a company listed on GEM of the Stock Exchange.

Mr. Iu Tak Meng Teddy (余德鳴) ("**Mr. Iu**"), aged 55, was appointed as the independent non-executive Director on 7 June 2017. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. Mr. Iu is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Iu obtained a Diploma in Management Studies from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1990 and then obtained a Master of Science in Information Systems and a Master of Science in Accountancy from The Hong Kong Polytechnic University in October 1995 and November 2002, respectively. He received his Master of Science from the University of Hong Kong in December 2015.

Mr. Iu has been a fellow of each of the Chartered Institute of Management Accountants, the Hong Kong Society of Accountants (currently the Hong Kong Institute of Certified Public Accountants), the Hong Kong Institute of Directors, and the Geological Society of London since March 1995, June 1997, October 2012, and November 2013, respectively.

Mr. Iu was a Hong Kong divisional council member of the Chartered Institute of Management Accountants for the year term 1994 to 2003 and 2007 to 2009, and the divisional president thereof for the year term 2001 to 2002. The Chartered Institute of Management Accountants granted Mr. Iu the designation of Chartered Global Management Accountant in January 2012. He became a member of each of the Canadian Institute of Mining, Metallurgy and Petroleum in 2012, the Australasian Institute of Mining and Metallurgy in 2013, the Society of Economic Geologists in 2013, and the Institute of Electrical and Electronics Engineers, Inc. in 2017. He also became a professional member of each of the Geological Society of America and the Royal Institution of Chartered Surveyors since 2015. He was also a lay member of the Solicitors Disciplinary Tribunal Panel from July 2003 to July 2009.

Mr. Iu worked as the North Asia Financial Controller of Regional Container Lines (HK) Limited from January 1996 to April 1997. After which he has been an independent and project based consultant since 1997 and in addition to this, he worked as EDP manager for Asia Pacific Operations of Moulinex Far East Limited from April 2001 to January 2002. Besides his full time commitments, Mr. Iu also worked as a visiting lecturer (part-time) at the Department of Accountancy of the Hong Kong Polytechnic University from February 2000 to May 2001 and a part-time lecturer at the School of Continuing and Professional Education of the City University of Hong Kong from September 2001 to June 2010. He has been a part-time instructor at the School of Continuing and Professional Studies of the Chinese University of Hong Kong since September 2007. He has also been an independent non-executive director of Gameone Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8282) since January 2016 and A&S Group (Holdings) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1737) since March 2018. Mr. Iu has been a part-time lecturer of Centennial College since January 2018.

Biographical Details of the Directors and Senior Management

Mr. Chong Kam Fung（莊金峰）(“**Mr. Chong**”), aged 38, was appointed as the independent non-executive Director on 7 June 2017. He is also the member of each of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Chong is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Chong obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2006. Mr. Chong has been a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants since April 2008 and October 2012, respectively.

From March 2006 to January 2013, Mr. Chong worked in an international accounting firm in Hong Kong with his last position held as senior manager. He has been the company secretary of Ahsay Backup Software Development Company Limited, a company listed on GEM of Stock Exchange (stock code: 8290) since March 2015. He has also been a non-executive director of Hao Bai International (Cayman) Limited, a company listed on GEM of the Stock Exchange (stock code: 8431) since May 2017 and an independent non-executive director of Ling Yui Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 784) since December 2017.

SENIOR MANAGEMENT

Mr. Yung Kwok Leung（翁國樑）(“**Mr. Yung**”), aged 55, is the Finance Director of the Group. He obtained a Master of Management from Macquarie University, Sydney Australia in June 2003. Mr. Yung joined the Group in June 2015.

Mr. Yung has over 35 years of experience in accounting and financial industry. From September 1981 to April 1985, Mr. Yung worked as a clerk in Wayfoong Credit Limited, which was a subsidiary of HSBC Group. He later joined ORIX Finance Services Hong Kong Limited in April 1985, and left in September 2002 with his last position held as assistant general manager. Mr. Yung worked for ORIX Asia Limited between October 2002 to July 2003, with his last position held as senior manager. He then joined Fubon Bank (Hong Kong) Limited between July 2003 to September 2008 with his last position held as the first vice president of the SME Division. Mr. Yung has been a director of Navonview Enterprise (HK) Limited since May 2011.

Mr. Shum Yam Shun（沈欽順）(“**Mr. Shum**”), aged 49, is the Site Superintendent of the Group. Mr. Shum joined the Group as a site supervisor in September 2014 and was later promoted to his current position in August 2015. He is primarily responsible for daily monitoring and management of the sites.

Mr. Shum has over 22 years of experience in the construction industry. He worked in Shui Wing Engineering Limited from April 1994 to February 2006 with his last position held as foreman. Mr. Shum then joined Lermond Engineering Limited as head of foreman between January 2006 to August 2014. He was qualified with a Level 5 BTEC Higher National Certificate (Civil Engineering) from Pearson Education Limited in the United Kingdom (the totality of which was considered to meet the standard of a local higher certificate by the Hong Kong Council for Accreditation of Academic & Vocational Qualifications) in December 2013. Mr. Shum completed an Interim Certificate Course for Qualifying Site Supervisors as Technically Competent Persons in June 2001. Mr. Shum also obtained Certificates 1 and 2 for Qualifying Site Supervisors as Technically Competent Persons in May 2002 and May 2004, respectively.

Mr. To Kam Ming (陶錦明) ("**Mr. To**"), aged 34, is the Project Manager of the Group. He joined the Group as an assistant project manager in November 2015 and was later promoted to his current position in February 2016. Mr. To obtained a Diploma in Civil Engineering from the Hong Kong Institute of Vocational Education in July 2003 and a Higher Diploma in Building Technology and Management (Engineering) from The Hong Kong Polytechnic University in December 2005. He also obtained a Bachelor of Engineering (Honours) in Building Engineering (Structural and Geotechnical Engineering) from the City University of Hong Kong in February 2010.

Mr. To has over 10 years of experience in the construction industry. He commenced his career working as a building safety assistant in the Buildings Department in June 2006. Mr. To joined the Drainage Services Department of Hong Kong as a works supervisory assistant with his last position held as work supervisor II (Civil) between July 2007 and November 2010. From November 2010 to July 2011, he worked as a structural engineer in Midi Aluminum Fabricator Limited. From July 2011 to November 2011, he worked as a site engineer in Chiu Hing Construction & Transportation Company Limited. Mr. To worked in Tysan Foundation Limited as an engineer between January 2012 to October 2015 with his last position held as project engineer.

COMPANY SECRETARY

Ms. Yim Sau Ping (嚴秀屏) ("**Ms. Yim**"), aged 35, prior to joining the Group, Ms. Yim worked for Ngai Shun Holdings Limited (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on GEM as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of more than five companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow member of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017 respectively. She has accumulated more than 8 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.

Directors' Report

The Directors present their report together with the audited financial statements of Basetrophy Group Holdings Limited and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged in the provision of foundation and site formation works and other geotechnical engineering works as a substructure subcontractor. Details of the principal activities of its subsidiaries are set out in Note 12 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this report.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 4 January 2016. The companies now comprising the Group underwent a reorganisation (the "**Reorganisation**") to rationalise the structure of the Group in preparation for the placing of the shares of the Company on GEM of the Stock Exchange. Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" to the Prospectus. The shares of the Company were listed on GEM of the Stock Exchange by way of public offer with effect from 27 June 2017.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income of this report. The state of affairs of the Group and the Company as at 31 December 2017 are set out in the consolidated statement of financial position and Note 30(a) to the consolidated financial statements respectively. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Tuesday, 8 May 2018 (the "**2018 AGM**"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 3 May 2018 to Tuesday, 8 May 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the company in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 2 May 2018.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the four financial years is set out on page 98 in this report. This summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

DONATION

Charitable donations made by the Group during the year ended 31 December 2017 amounted to HK$3,000 (2016: Nil).

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in Note 20 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and Note 30 to the consolidated financial statements respectively.

SHARE OPTIONS SCHEMES

The Company conditionally adopted a share option scheme on 7 June 2017 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

A summary of the particulars of the Scheme as required under Rule 23.09 of the GEM Listing Rules is set out in Note 21 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the memorandum and articles of association of the Company or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2017 are set out in Note 28 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company's reserves available for distribution to owners comprising share premium account less accumulated losses, amounted to approximately HK$29.4 million.

MAJOR CUSTOMERS AND SUPPLIERS AND SUBCONTRACTORS

During the year ended 31 December 2017, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately 42.1%, while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately 98.5%.

During the year ended 31 December 2017, the percentage of the Group's largest subcontractor was approximately 17.8% of the total direct costs for the period, while the percentage of the Group's five largest suppliers and subcontractors accounted for approximately 50.8% of the total direct costs.

None of the Directors of the Company, or any of their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

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

Executive Directors

Ms. Yuen Suk Har [Note 1] *(Chairman)*	*(Appointed on 4 January 2016)*
Mr. Lau Chung Ho [Note 1] *(Chief Executive Officer)*	*(Appointed on 4 January 2016)*

Independent non-executive Directors

Mr. Ng Ki Man	*(Appointed on 7 June 2017)*
Mr. Iu Tak Meng Teddy	*(Appointed on 7 June 2017)*
Mr. Chong Kam Fung	*(Appointed on 7 June 2017)*

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

Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting.

Note 1: Ms. Yuen and Mr. Lau were appointed as the Directors on 4 January 2016 and were re-designated to be the executive Directors on 22 September 2016.

PERMITTED INDEMNITY PROVISION

Pursuant to the memorandum and articles of association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year ended 31 December 2017.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" below and the share option scheme disclosures in Note 21 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company ("**Controlling Shareholders**") or their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflict of interests with the Group during year ended 31 December 2017.

Non-Competition Undertakings

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Lau, Ms. Yuen and Brightly Ahead (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group) on 7 June 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee of its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/she/it shall not, and shall procure that his/her/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/she/it or his/her/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/she/it shall (and he/she/it shall procure his/her/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity, The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with our Controlling Shareholders – Non-Competition Undertakings" in the Prospectus.

During the year, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder of the Company in respect of him/her/it and his/her/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders of the Company had complied with the Deed of Non-competition.

UPDATE IN DIRECTORS' PARTICULARS

An update of information of the Directors is as follow:

Mr. Chong Kam Fung, an independent non-executive Director, has been an independent non-executive director of Ling Yui Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 784), on 28 December 2017.

Mr. Iu Tak Meng Teddy, an independent non-executive Director, has been an independent non-executive director of A&S Group (Holdings) Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1737), on 14 March 2018.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 11 to 15 of this report.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in Note 8 to the consolidated financial statements. The emolument of the number of the highest paid individuals who are not the Directors of the Company for the year ended 31 December 2017 are set out in Note 8(b) to the consolidated financial statements.

The emoluments of the senior management of the Group for the year ended 31 December 2017 falls within the following band:

Emolument Band	**Number of Senior Management**
Up to HK$1,000,000	3

EMOLUMENT POLICY

A Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

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

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 December 2017 are set out in Note 2.19(ii) to the consolidated financial statements.

MANAGEMENT CONTRACTS

Save for the service agreements (for executive Directors) and letters of appointment (for the independent non-executive Directors) with the Company entered into with each of the Directors, no contracts concerning the management and administration of the whole and any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

INTERESTS OF THE COMPLIANCE ADVISOR

As confirmed by the Group's compliance advisor, Frontpage Capital Limited (the "**Compliance Advisor**"), save as the compliance adviser agreement entered into between the Company and Compliance Advisor, none of the Compliance Adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "**SFO**")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which are required, pursuant to Section 352 of the SFO, to be entered in the registered referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

Long positions in Shares

Name	Capacity/Nature of interest	Number of Shares held/ interested	Percentage of shareholding
Mr. Lau *(Note 1)*	Interest in a controlled corporation	750,000,000	75%
Ms. Yuen *(Note 1)*	Interest in a controlled corporation/Interest of spouse	750,000,000	75%

Note:

(1) Mr. Lau and Ms. Yuen beneficially own 99.9% and 0.1% of the issued share capital of Brightly Ahead Limited ("**Brightly Ahead**"), respectively. Therefore, Mr. Lau is deemed, or taken to be, interested in all the Shares held by Brightly Ahead for the purpose of the SFO. Mr. Lau is the sole director of Brightly Ahead. Ms. Yuen is the spouse of Mr. Lau. Under the SFO, Ms. Yuen is deemed to be interested in the same number of Shares in which Mr. Lau is interested.

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2017, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the Shares or the underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the Shares

Name	Capacity/Nature of interest	Number of Shares held/ interested	Percentage of shareholding
Brightly Ahead	Beneficial owner	750,000,000	75%

Save as disclosed above, as at 31 December 2017, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' Report – Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had any interest or a short position in the Share or Underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2017.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 24 to 31 of this report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the GEM Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors annual written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company.

ON BEHALF OF THE BOARD
Basetrophy Group Holdings Limited
Lau Chung Ho
Executive Director

Hong Kong, 26 March 2018

Corporate Governance Report

INTRODUCTION

The Company is committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 15 of the GEM Listing Rules since the Listing Date up to the date of this report. To the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Required Standard of Dealing**"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealing and there was no event of non-compliance during the year ended 31 December 2017.

DIRECTORS' RESPONSIBILITIES

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

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive Directors along with other senior executives. Executions of operational matters and the powers thereof are delegated to the management by the Board with clear directions. They report periodically to the Board of their work and business decisions.

Board Composition

The composition of the Board as at this report is set out as follows:

Executive Directors

Ms. Yuen Suk Har *(Chairman)*
Mr. Lau Chung Ho *(Chief Executive Officer)*

Independent non-executive Directors

Mr. Ng Ki Man
Mr. Iu Tak Meng Teddy
Mr. Chong Kam Fung

Biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 11 to 15 of this report.

The proportion of which is higher than what is required by Rule 5.05A, 5.05 (1) and (2) of the GEM Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 5.09 of the GEM Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company on 22 September 2016 and signed letters of appointment with each of independent non-executive Directors on 7 June 2017. The service contracts with the executive Directors and the letter of appointment with each of independent non-executive Directors are for an initial fixed term of three years commencing from the Listing Date. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the memorandum and articles of association of the Company and the applicable GEM Listing Rules.

According to the Article 108 of the memorandum and articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the memorandum and articles of association of the Company provides that any Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

All Directors will retire from office at the forthcoming annual general meeting of the Company to be held on 8 May 2018. All Directors, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of all Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The role of chairman remains separate from that of the chief executive officer to enhance their respective independence, accountability and responsibility. Ms. Yuen was the Chairman of the Board throughout the year. Mr. Lau was the chief executive officer of the Company.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the year ended 31 December 2017, the Company has provided and all Directors have attended training courses on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.wbgroupfw.com.hk. All the Board committees responsibly report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this report.

Remuneration Committee

The Remuneration Committee was established on 7 June 2017. The chairman of the Remuneration Committee is Mr. Iu Tak Meng Teddy, the independent non-executive Director, and other members includes Mr. Ng Ki Man and Mr. Chong Kam Fung, the independent non-executive Directors and Ms. Yuen Suk Har, the chairman and executive Director. The written terms of reference of the Remuneration Committee are posted on the website of the Stock Exchange and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 December 2017.

Nomination Committee

The Nomination Committee was established on 7 June 2017. The chairman of the Nomination Committee is Ms. Yuen Suk Har, the chairman and executive Director, and other members included Mr. Ng Ki Man, Mr. Iu Tak Meng Teddy and Mr. Chong Kam Fung, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

Audit Committee

The Audit Committee was established on 7 June 2017. The chairman of the Audit Committee is Mr. Ng Ki Man, the independent non-executive Director, and other members included Mr. Iu Tak Meng Teddy and Mr. Chong Kam Fung, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Audit Committee are to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's consolidated financial statements for the year ended 31 December 2017 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2017 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

The Board meet regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

Details of all Directors' attendance at the Board meeting and Board committees' meeting held during the year ended 31 December 2017 are as follows:

	Board Meeting	Audit Committee Meeting
Executive Directors		
Ms. Yuen Suk Har	4/5	–
Mr. Lau Chung Ho	5/5	–
Independent non-executive Directors		
Mr. Ng Ki Man	5/5	2/2
Mr. Iu Tak Meng Teddy	4/5	2/2
Mr. Chong Kam Fung	4/5	2/2

For the year ended 31 December 2017, no general meeting was held. As the Company was newly listed on 27 June 2017, the Remuneration Committee and Nomination Committee did not hold any meeting.

COMPANY SECRETARY

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

The Company engages an external service provider, Ms. Yim as its Company Secretary. Ms. Yim possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. Mr. Lau Chung Ho, executive Director of the Company is the primary contact person who Ms. Yim contacts.

For the year ended 31 December 2017, Ms. Yim undertook no less than 15 hours of relevant professional training to update her skill and knowledge. The biographies of Ms. Yim is set out in the section headed "Biographical Details of the Directors and Senior Management" of this report.

INDEPENDENT AUDITORS' REMUNERATION

HLB Hodgson Impey Cheng Limited is appointed as the external auditors of the Company. The fee paid and payable in respect of audit services and non-audit services amounted to approximately HK$680,000 and approximately HK$1,775,000 respectively for the year ended 31 December 2017.

SHAREHOLDERS' RIGHT

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

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to Article 64 of the memorandum and articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

– Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;

– Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;

– Risk mitigation: Develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the Risk Registry to communicate to the Board and Management for reviews.

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

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 December 2017 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

Under Code Provision C.2.5, the Group should have an internal audit function. The Company has no internal audit function because the Company has maintained an internal control system and its implementation has been considered effective by the Audit Committee and the Board. In addition, the Audit Committee has communicated with external auditors of the Company to understand if there is any material control deficiency. Nevertheless, the Company will review the need for one on an annual basis.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

(i) Corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.wbgroupfw.com.hk;

(ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) Corporate information is made available on the Company's website;

(iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) The Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

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

Since the Listing Date, there is no significant change in the memorandum and articles of association of the Company.

ABOUT BASETROPHY

Basetrophy Group Holdings Limited and its subsidiaries are engaged in foundation and site formation works, and other geotechnical engineering works in Hong Kong, such as slope works and shotcreting.

The Group operates its subcontracting business through its direct wholly-owned subsidiary, Workbase. The Group serve different customers which are primarily main contractors or subcontractors of various types of property development or civil engineering projects in Hong Kong. The Group has a primary focus in private sector construction works projects.

Basetrophy Group Holdings Limited

Wide View Enterprises Limited

Workbase Engineering Limited

Design and construction of foundation system

- Bored Pile
- Driven H-Piling
- Mini Piling
- Pre-Bored H Piling
- Pre-Bored Driven H-Piling
- Socketted H-Piling

Design and construction of excavation & lateral support system (ELS) and site formation works

- Grout Curtain
- Landslip Preventive Measures to Slopes
- Steel Pile
- Steel Sheet Piling

Environmental, Social and Governance Report

ABOUT THE REPORT

This report is the first "Environmental, Social and Governance Report" (collectively the "Report") published by the Group, which discloses the Group's measures and performance on sustainable development topics in a transparent and open manner, in order to increase stakeholders' confidence and understanding on the Group.

Reporting Year

All the information in the Report reflects the performance of the Group in environmental management and social responsibility from 1 January 2017 to 31 December 2017 (the "Reporting Period"). In the future, the Group will release an Environment, Social and Governance Report annually for public review, in order to improve the transparency and responsibility of information disclosure.

Reporting Scope

The Report focuses on construction of foundation and other construction works in Hong Kong, which are operated by the Group. After the comprehensive completion of data collection system and the Group's deepening in its environmental, social and governance work, the Group is able to disclose various environmental and health and safety Key Performance Indicators (KPIs) for all the sites operated during the reporting period.

Reporting Standards

The Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" ("ESG Guide") of the Stock Exchange set out in Appendix 20 of the GEM Listing Rules. The Report provides a simplified overview on the environmental, social and governance performance of the Group. The information in the Report is derived from the Group's official documents and statistics, as well as the integration and summary of monitoring, management and operational information provided by subsidiaries of the Group.

STAKEHOLDER ENGAGEMENT

The HKEX has set forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency, which should form the basis for preparing the Environmental, Social and Governance Report. As the HKEX emphasizes, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wide-ranging views and identify material environmental and social issues.

For the Group, stakeholders refer to groups and individuals materially influencing or affected by the Group's business. The Group's stakeholders include employees, management and directors, as well as external stakeholders such as clients, business partners, investors, regulatory authorities and various types of community groups. In the past year, we communicated with the key stakeholders through a variety of methods. While preparing the Report, we commissioned a professional consultancy firm to conduct the materiality analysis in the form of management interview. With expert advice, we identified the material aspects for this Report and these will in turn guide the formulation of the Group's sustainability roadmap.

Internal stakeholders	**External stakeholders**
New staff	Shareholders
All current staff	Investors
Line management	Banks
Senior management	Customers
Board of Directors	Sub-contractors and suppliers

Engagement methods

Newcomer orientation, email, mail, telephone, direct communication, interviews, meetings, annual general meetings, annual meetings, training sessions and performance reviews, group websites, annual report, financial statements and announcements.

The business of the Group affects different stakeholders, and stakeholders have different expectations on the Group. The Group will maintain communication with stakeholders continuously, collect opinions of stakeholders through different forms and more extensively, and make substantive analysis more comprehensively. At the same time, the Group will enhance the reporting principles of quantification, balance and consistency, in order to define content of the Report and presentation of the information that is more in line with the expectations of stakeholders.

ENVIRONMENT PROTECTION

Emissions

Major emissions from construction sites are air pollutants, noise, waste and effluents. The Group manages these emissions and is committed to seeking practical means to reduce their impact on the environment.

To reduce the noise nuisance in the surrounding environment, the Group has implemented equipment which can be effectively silenced, such as low-noise transformers, air receivers and hand-held breakers. Where necessary, the Group applies construction noise permit for every site that passes different testing from Environmental Protection Department (i.e. acceptable noise levels, sound power levels for percussive piling and summation of noise levels). The Group recognizes that noise challenges are unique to each project and there is always room to further reduce noise in communities surrounding our sites. In this regard, the Group is considering in kicking off a yearly review to evaluate the internal noise abatement procedures, especially for projects at noise-sensitive areas.

To deal with the effluent from construction sites, the Group has developed a set of procedures which meet the requirements under Water Pollution Control Ordinance and its subsidiary regulation in order to obtain the Water Pollution Control Ordinance license at each site. For instance, sediment traps or basins are provided to abstract wastewater and remove waste particles from on-site systems. The Group aims to minimize various discharges like muddy underground water and bentonite slurries from excavation work and/or bore piling activities to limit the impact to the environment. It includes siltation in drainage pipes which may lead to blockage and eventually flooding risks, visual nuisance and hazard to the aquatic life and increase in turbidity of the receiving water which may adversely affect the ecosystem.

For Construction and Demolition ("C & D") material, the inert C & D material is disposed through the refuse collection trucks from the government authorized service provider. The waste is disposed at public filing areas whereas the non-inert and mixed C & D waste are disposed of at three strategic landfills. With the use of government authorized service provide, illegal dumping can be prohibited.

During the Reporting Period, we were not aware of any material non-compliance with the environmental laws and regulations.

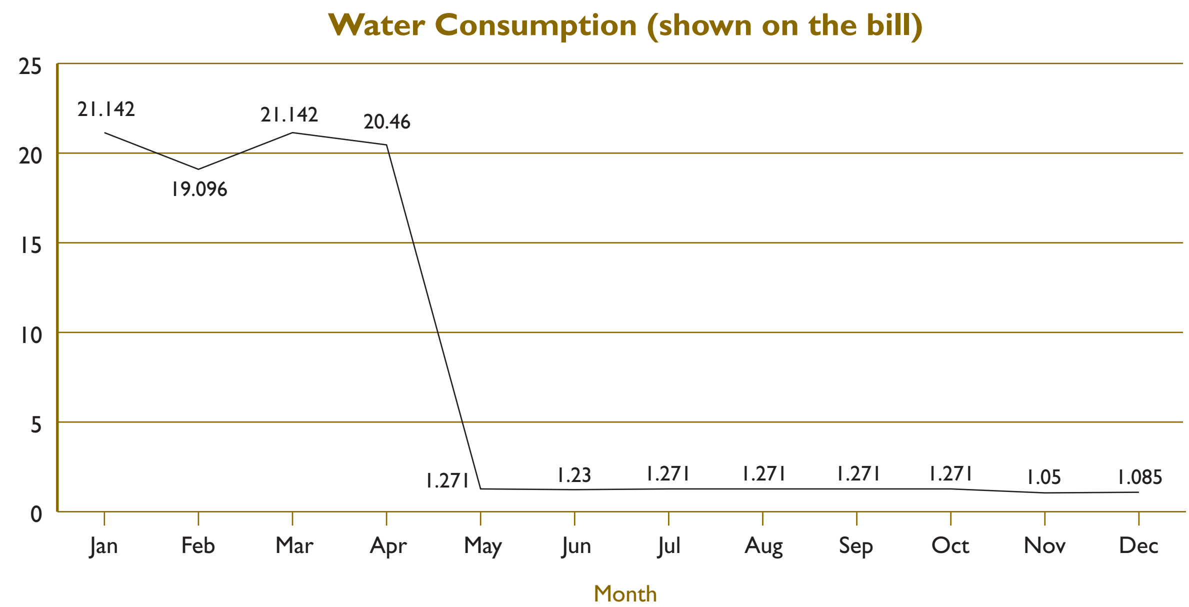
Environmental Key Performance Indicators

Air Emission	**Volume (Tonnes)**
CO_2	12.58
NOx	0.23
SOx	0.0005
Particulate	0.02

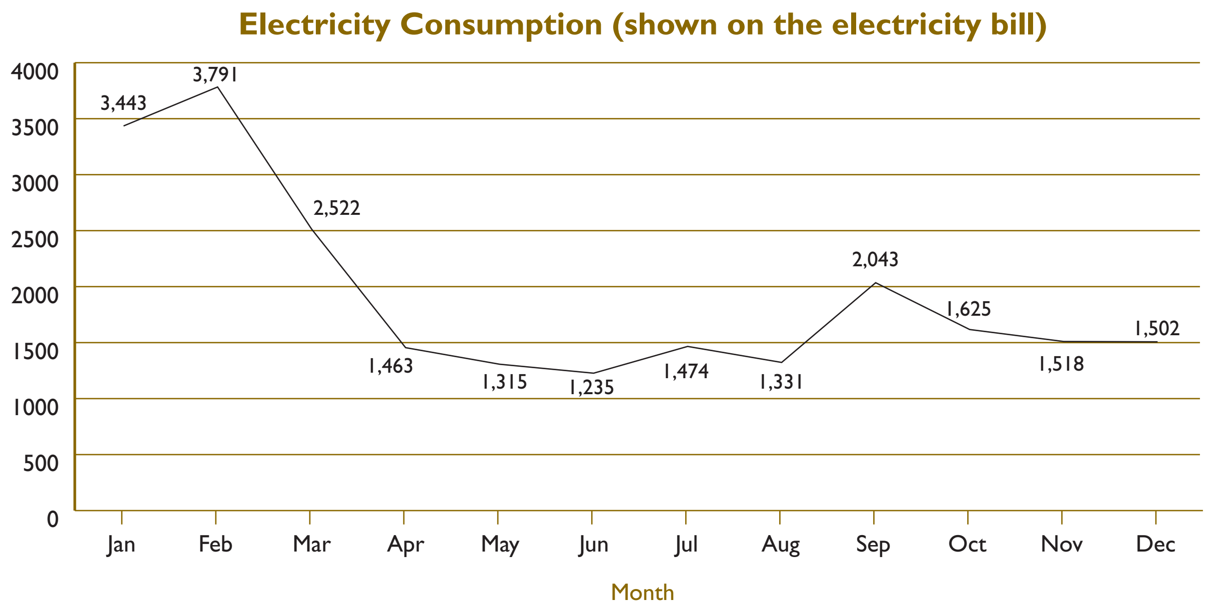
Non-hazardous waste	**Volume (Tonnes)**
Inert C & D waste	7,099
Non-inert C & D waste	0.02
Mixed C & D waste	0.02

USE OF RESOURCES

The resources most consumed by the Group are water and energy. The Group records and analyzes the monthly consumption rate of water at individual water supply points. After identifying the causes of high rates of water consumption, the Group will take remedial action to minimize water use. From the graph below, it shows that the trend of the water consumption is decreasing and remains steady in the recent months. This is contributed by efficient control by the management and less construction sites being employed.



The Group determines to maximize energy conservation in its office by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade equipment such as purchasing electrical appliances with high efficient energy label, lighting and air-conditioning systems in order to increase energy efficiency. Air-conditioning systems can be adjusted to a specific temperature, which allows the users to set at a comfortable temperature and avoid power waste. Traditional fluorescent tubes have been replaced with energy efficient LED light strips to save power. To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time. From the graph below, the electricity consumption, in general, is having a decreasing trend during the reporting year. The Group targets to remain the tight control on it and achieve sustainable development.



The Environment and Natural Resources

The Group has set up an environmental system management task force as part of its effort to develop an environmental management system that supports sustainable development, and has obtained ISO14001 certification for environmental management systems.

By the implementation of ISO 14001 Environmental Management System, the Group has given careful consideration to minimize all significant impact on the environment resources.

PEOPLE

Employment

As the Group is principally engaged in construction, manual work is generally required in most positions. Hence, the ratio of the number of male to female employees is around 7.2 to 1. However, the Group treats all employees equally. The Group prohibits any form of harassment and discrimination with respect to age, gender, race, nationality, religion, marital status or disability in the workplace. The above measures have helped ensuring that every employee is treated equally and fairly.

Any employee has the right to complain to direct supervisors regarding their job and employment terms. If employees disagree with the reply or decision from their supervisors, they can report the questions to the Human Resources Department or to senior management.

A formal induction together with a tour of the workplace is provided to all employees on the first day of employment. The aim is to welcome the new employees and give them a better understanding of the Group. A brief introduction of employee handbook is provided to ensure new employees are aware of relevant policies and code of conduct.

The employee remuneration policies were determined with reference to factors such as salary information available in local markets, overall salary standards in the industry, inflation level, operational efficiency of the Group and the employees' qualification, position, length of service and performance. Employee remuneration package is comprised of basic salary, bonus and other compensation.

During the Reporting Period, the Group was not aware of any material non-compliance with labour practices.

Employment Key Performance Indicators (Employee)

Number of employees

Gender	Age below 30	Age 30-50	Age over 50	Number of employees by gender	Total number of employees	Ratio of number of male to female employees	Ratio of salaries of male to female employees
Male	5	20	11	36	41	7.2:1	5.3:1
Female	2	0	3	5			

Employee recruit

Gender	Age below 30	Age 30-50	Age over 50	Number of new recruits by gender	Total number of new recruits	Percentage of new recruits to total number of employees
Male	3	4	1	8	8	20%
Female	0	0	0	0		

Employee turnover

Gender	Age below 30	Age 30-50	Age over 50	Staff turnover by gender	Total staff turnover	Ratio of employee turnover to total number of employees
Male	0	0	0	0	0	0%
Female	0	0	0	0		

Health and Safety

The Group recognizes safety and health at work as an integral part of its business performance. The Group has established the Occupational Health and Safety (OHS) Manual which is prepared in accordance with OHSAS 18001 to manage the health and safety risks of its operations.

The Group strictly requires employees to comply with the safety policy and guidelines in the Occupational Health and Safety Management System which is included in the Employee Handbook for on-site construction teams and employees working in offices, both of which clearly specify work flows, all kinds of safety measures and guidance as well as employees' responsibilities for their health and safety at our workplace.

The Group has established a risk assessment program that consists of a number of sequential steps such as risk identification, analysis, evaluation, treatment, monitoring and reviewing based on the existing controls and recommendations to reduce those risks which are not deemed to be under acceptable limits.

Employees receive "site specific induction training" soon after commencing work in the workplace. Thereafter, they are given refresher talks at intervals of six months depending on the amount of changes to the site condition. The Group also provides tool-box talks, aiming to heighten employee awareness of workplace hazards and OSHA regulations.

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures. The Group is pleased to report that the rate of accidents and injuries during the reporting period was extremely low with zero fatal accident.

During the Reporting Period, the Group was not aware of any material non-compliance with the health and safety laws and regulations.

Health and Safety Key Performance Indicators (Employee)

Number of work injuries	**Rate of work injury (per thousand employees)**
1	0.001

Development and Trainings

The Group recognizes the importance of skilled and professionally trained employees to its business growth and future success. Therefore, the Group encourages them to participate in job-related training and courses. The Group conducted in-house seminars and training for ensuing the performance to meet quality, environmental and OHS Objectives, in order to maintain the highest standard of professionalism by our employees. The training covers a variety of topics, such as the basic skills of staff training, safety card training or revision training and new staff orientation.

As the Group retains its position at the forefront of the vibrant market, the employees actively pursue professional training to enhance their technical knowledge and keep abreast of the latest industry developments. The Group supports and motivates all technical/professional staff to attend continuous professional development training organized by appropriate institutions, if applicable.

Employees who are under apprenticeship with the Group will also be entitled to have paid exam leave.

The Group annually evaluates the training needs of its employees to ensure that employees are offered with suitable and appropriate training according to their job nature and position.

Training and Development Key Performance Indicators (Employee)

Trained staff	Senior managerial level	Managerial level	General staff	Percentage of employees receiving training by gender	Overall percentage of employees receiving training
Male	0%	50%	89%	79%	72%
Female	0%	0%	25%	20%	

Average training hours	Senior managerial level	Managerial level	General staff	Average training hours by gender	Overall average training hour
Male	0 hour	0.5 hour	5 hours	5 hours	4 hours
Female	0 hour	0 hour	2 hours	1 hour	

Labour Standards

The Group always respects and strictly complies with all applicable national laws and local regulations as well as relevant labour laws and regulations in the place where it operates, including the Policy of Employment of Children under the Employment Ordinance in Hong Kong. We have also developed rigorous and systematic measures for approval and selection, to prevent ourselves from illegally hiring child labour and ensure that the employment is in compliance with relevant laws and regulations.

The Group arranges the employees' working hours based on the statutory working hour standards and allows them to entitle paid leaves and sick leaves in accordance with labour laws.

During the Reporting Period, the Group was not aware of any material non-compliance with the labour requirements set out in relevant laws and regulations.

Supply Chain Management

In global business, business outsourcing is a common practice. However, outsourcing does not mean that companies can avoid the responsibilities or risks of poor ESG performance. The Group understands that it plays a role throughout the product and service lifecycle, and the proper management of the supply chain is key to maintaining its brand reputation and ensuring business sustainability while managing its operating costs.

In selecting sub-contractors, the Group considers factors such as reputation, past performance, company organization and financial status to assess their suitability to be added to the list of approved sub-contractors. Meanwhile, the Group's procurement team regularly looks for quality suppliers in the market, and will engage new suppliers upon their satisfaction of our internal review and approval, which includes a comprehensive quality management system and are accredited with ISO 9001, ISO 14001, OHSAS 18001 standards, appraisal of suppliers' performance on quality, environmental protection & occupational health & safety to the suppliers' premises.

Each sub-contractor and supplier is reviewed at least once every year or after completion of their contracts. In cases of major non-performance of an approved sub-contractor or supplier, the Group will review their suitability to remain on the approved list.

Product Responsibility

The Group is committed to providing high-quality services and guarantees that the quality of our projects is in line with quality standards and sustainability requirements. We also pursue to meet higher criteria all the time. The Group has always been focusing on quality control in project construction since its incorporation. In respect of human resources, we have a team of project managers with rich experience in undertaking various pile work construction projects. In respect of systems, we own a quality management system in accordance with the ISO 9001, ISO 14001 and OHSAS 18001 standard, which establishes the procedure to manage the non-conformity detected during construction process. When non-conforming work is identified, the Group will review the situation and stop these below standard works from continuing or re-occurring. If the defect is likely to recur, the Group will require remedial action by the sub-contractor and shall more closely supervise this work whenever practicable. The Group also carry out trainings and established a management system covering various aspects including management of quality of construction staff, quality control on raw material, site management and quality management system, so as to ensure the timely and efficient completion of our projects.

Anti-corruption

The Group is committed to maintaining the integrity of its corporate culture. Staff members are not allowed to solicit or accept any advantages. The Group sets out the relevant policies in the employee handbook and guides the employees to abide by the code of conduct. The code of conduct provides a clear definition of the provision and acceptance of interests, such as gifts and souvenirs, and ways to deal with conflicts of interest.

Directors and employees are required to make a declaration to the management through the reporting channels when actual or potential conflict of interest arises. Employees cannot receive any gifts from any external parties (i.e. customers, suppliers, contractors, etc.) unless approval is obtained from the management.

The Group has whistle-blowing procedures in effect, encouraging the employees to report directly to the Company's senior management any misconduct and dishonest behavior, such as bribery, fraud and other offences. Furthermore, the Group has specified in the employees' handbook that the Group is entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserve the right to take further legal actions against such person.

During the Reporting Period, we have complied with the relevant laws and regulations regarding anti-corruption and anti-money laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees.

Community Investment

The Group has been actively involved in charitable activities in the communities and cities where our projects are operating and constructing, and encourages the employees to participate in in-house or external community activities. The Group played an important role in supporting the Buddhism Puja held in Hong Kong through the donation to Padtselling Vajrayana (HK) Dharma Center Limited.

The Group will continue to explore other means to contribute more to the environment and strive to facilitate the building of a healthy and sustainable society.

Independent Auditors' Report

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE MEMBERS OF BASETROPHY GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Basetrophy Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 97, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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.

KEY AUDIT MATTER *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and gross amounts due from/to customers for contract work	
We identified recognition of revenue and costs from construction contracts and gross amounts due from/to customers for contract work as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the percentage of completion.	Our audit procedures in relation to recognition of revenue and costs from construction contracts and gross amounts due from/to customers for contract work mainly included: • Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management; • Understanding from management about how the budgets were prepared and the respective stage of completion were determined; • Evaluating the reasonableness of percentage of completion by obtaining the certificates issued by customers or payment applications confirmed by internal surveyor; • Testing the actual costs incurred on construction works; • Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of similar contracts; and • Checking the gross amounts due from/to customers for contract work by agreeing the actual costs incurred and the progress billings issued to customers.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 26 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	**2017 HK$'000**	2016 HK$'000
Revenue	*5*	**138,276**	131,813
Cost of sales	*6*	**(122,203)**	(107,216)
Gross profit		**16,073**	24,597
Other income and other gain and loss	*5*	**935**	921
Administrative and other operating expenses	*6*	**(21,779)**	(14,933)
Operating (loss)/profit		**(4,771)**	10,585
Finance costs	*9*	**(514)**	(470)
(Loss)/profit before income tax		**(5,285)**	10,115
Income tax expense	*10*	**(711)**	(2,568)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company		**(5,996)**	7,547
Basic and diluted (loss)/earnings per share (HK cent)	*11*	**(0.68)**	1.00

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**19,372**	9,049
Current assets			
Trade and other receivables	*16*	**26,079**	30,810
Gross amounts due from customers for contract work	*17*	**17,032**	15,458
Amount due from a director	*18*	**–**	5,018
Tax recoverable		**2,562**	–
Cash and bank balances	*19*	**58,266**	5,521
		103,939	56,807
Total assets		**123,311**	65,856
EQUITY			
Capital and reserves			
Share capital	*20*	**10,000**	1
Reserves		**61,318**	32,264
Total equity		**71,318**	32,265

Consolidated Statement of Financial Position *(continued)*

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*22*	**4,649**	615
Deferred tax liabilities	*23*	**1,482**	783
		6,131	1,398
Current liabilities			
Trade and other payables	*24*	**34,019**	16,409
Gross amounts due to customers for contract work	*17*	**2,261**	–
Amount due to a director	*18*	**–**	48
Deferred gain	*25*	**–**	463
Borrowings	*22*	**9,582**	15,088
Current income tax liabilities		**–**	185
		45,862	32,193
Total liabilities		**51,993**	33,591
Total equity and liabilities		**123,311**	65,856
Net current assets		**58,077**	24,614
Total assets less current liabilities		**77,449**	33,663

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 March 2018 and are signed on its behalf by:

Mr. Lau Chung Ho
Director

Ms. Yuen Suk Har
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company				
	Share capital HK$'000 *(Notes a and 20)*	**Share premium** HK$'000	**Other reserve** HK$'000 *(Note b)*	**Retained earnings** HK$'000	**Total equity** HK$'000
Balance at 1 January 2016	1	–	–	24,717	24,718
Profit and total comprehensive income for the year	–	–	–	7,547	7,547
Balance at 31 December 2016	1	–	–	32,264	32,265
Balance at 1 January 2017	**1**	**–**	**–**	**32,264**	**32,265**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(5,996)**	**(5,996)**
	1	**–**	**–**	**26,268**	**26,269**
Dividends *(Note 13)*	**–**	**–**	**–**	**(9,000)**	**(9,000)**
Reorganisation	**(1)**	**–**	**1**	**–**	**–**
Capitalisation issue	**7,500**	**(7,500)**	**–**	**–**	**–**
Shares issued under public offer	**2,500**	**57,500**	**–**	**–**	**60,000**
Shares issuance costs	**–**	**(5,951)**	**–**	**–**	**(5,951)**
Balance at 31 December 2017	**10,000**	**44,049**	**1**	**17,268**	**71,318**

Notes:

a) For the purpose of the preparation of the consolidated statement of changes in equity, the balance of share capital at 1 January 2016, 31 December 2016 and 1 January 2017 represents the aggregate of the paid up share capital of the companies comprising the Group held by the controlling parties of the Company prior to the reorganisation.

b) Other reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the reorganisation.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	26	**21,576**	(1,031)
Tax paid		**(2,759)**	(4,627)
Net cash generated from/(used in) operating activities		**18,817**	(5,658)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**663**	–
Purchases of property, plant and equipment		**(10,118)**	(830)
Interest received		**71**	–
Increase in amount due from a director		**(3,385)**	(5,018)
Net cash used in investing activities		**(12,769)**	(5,848)
Cash flows from financing activities			
Dividends paid	13	**(597)**	–
Net proceeds from public offer		**54,049**	–
Decrease in amount due to a director		**(48)**	(132)
Drawdown of finance leases		**4,530**	1,583
Repayment of finance leases		**(3,867)**	(2,228)
Drawdown of bank and other borrowings		**13,598**	11,901
Repayment of bank and other borrowings		**(20,454)**	(6,704)
Interest paid on finance leases		**(125)**	(149)
Interest paid on bank and other borrowings		**(389)**	(321)
Net cash generated from financing activities		**46,697**	3,950
Net increase/(decrease) in cash and cash equivalents		**52,745**	(7,556)
Cash and cash equivalents at beginning of year		**5,521**	13,077
Cash and cash equivalents at end of year	19	**58,266**	5,521

The accompanying notes form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

Basetrophy Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 4 January 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 June 2017. Its parent and ultimate holding company is Brightly Ahead Limited ("**Brightly Ahead**"), a company incorporated in the British Virgin Islands ("**BVI**") and wholly-owned by Mr. Lau Chung Ho ("**Mr. Lau**") and Ms. Yuen Suk Har ("**Ms. Yuen**"), spouse of Mr. Lau, the controlling parties of the Company.

The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and the Company's principal place of business is Unit 18, 29th Floor, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") is principally engaged in provision of foundation and related works.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on GEM of the Stock Exchange (the "**Reorganisation**"), the group entities were under the control of Mr. Lau and Ms. Yuen. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 7 June 2017. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Lau and Ms. Yuen prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). 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 years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position as at 31 December 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

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

2.1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(a) New and amended standards adopted by the Group (continued)

Amendments to HKAS 7 Disclosure Initiative *(continued)*

A reconciliation between the opening and closing balances of these items is provided in Note 26(c). Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 26(c), the application of these amendments has had no impact on the Group's consolidated financial statements.

(b) New standards and interpretations not yet adopted by the Group

The following are new standards, amendments and interpretations that have been issued but not yet effective for the annual accounting period beginning on or after 1 January 2017 and have not been early adopted by the Group:

		Effective for the accounting periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers and the related Amendments	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle	1 January 2018
Amendments to HKAS 40	Transfers of Investment Property	1 January 2018
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(b) New standards and interpretations not yet adopted by the Group (continued)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group is in relation to the impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In general, the application of the expected credit loss model of HKFRS 9 will result in earlier recognition of credit losses for the respective items.

In the opinion of the directors of the Company, based on the historical experience of the Group, the default rate of the outstanding balances with customers is low. Hence, the directors of the Company anticipate that the application of HKFRS 9 would not have material impact on the Group's future consolidated financial statements. The above assessments were made based on an analysis of the Group's financial assets as at 31 December 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of HKFRS 9, which is expected to be 1 January 2018 as the Group does not intend to early apply the standard, the assessment of the potential impact is subject to change.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(b) New standards and interpretations not yet adopted by the Group (continued)

HKFRS 15 Revenue from Contracts with Customers *(continued)*

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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 entity satisfies a performance obligation

Under HKFRS 15, an entity 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 the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company is in the process of making an assessment of what the impact of HKFRS 15 is expected to be in the period of initial application. Based on the assessment so far, the adoption of HKFRS 15 is unlikely to have a significant impact on the Group's results of operations and financial position. While the assessment has been substantially completed, the actual impacts upon the initial adoption of HKFRS 15 may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(b) New standards and interpretations not yet adopted by the Group (continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents finance lease payments as financing cash flows and operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised as asset and a related finance lease liability for the finance lease arrangement where a group entity is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(b) New standards and interpretations not yet adopted by the Group (continued)

HKFRS 16 Leases *(continued)*

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately HK$649,000 as disclosed in Note 27(b). 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.

The directors of the Company anticipate that the application of HKFRS 16 would not have significant impact on the financial position and performance of the Group comparing with HKAS 17 currently adopted by the Group. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

The directors of the Company anticipate that the application of other new and amendments to HKFRSs and interpretation will have no material impact on the consolidated financial statements of the Group in the future.

2.2 Subsidiaries

2.2.1 Consolidation

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

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Separate financial statements

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

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

2.3 Merger accounting for common control combinations

The consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;

(ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment

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

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

Machinery and equipment	20%
Leasehold improvements	Over lease term
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

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.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Impairment of non-financial assets

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

2.8 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

On the consolidated statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2.10 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amount due from a director" and "cash and bank balances" in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

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

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

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

The Group operates a defined contribution plan and pays contributions to a privately administered pension insurance plan on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Employee benefits *(continued)*

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Contingent liabilities and contingent assets

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Contingent liabilities and contingent assets *(continued)*

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

(a) Foundation and related works income

Revenue from construction contracts, including foundation works, site formation works and other geotechnical engineering works, is recognised based on the stage of completion of the contracts as detailed in Note 2.9 above.

(b) Rental income

Rental income is recognised based on the straight-line basis over the lease terms.

(c) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Related Parties

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

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings obtained with variable rates expose the Group to cash flow interest rate risk which is partially offset by cash deposited at variable rates. The Group has not hedged its cash flow interest rate risks.

As at 31 December 2017, if the interest rate on all variable-rate borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's loss after income tax for the year would have been increased/decreased by approximately HK$12,000 (2016: profit after income tax for the year would have been decreased/increased by approximately HK$35,000), mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(ii) Credit risk

Credit risk arises mainly from trade and other receivables, amount due from a director and cash and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 December 2017, there were three (2016: four) customers which individually contributed over 10% of the Group's trade and other receivables. The aggregate amounts of trade and other receivables from these customers amounted to 79% (2016: 84%) of the Group's total trade and other receivables as at 31 December 2017.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group may be required to pay:

	On demand or within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
At 31 December 2017				
Trade and other payables	**34,019**	**–**	**–**	**34,019**
Finance lease liabilities	**4,637**	**3,795**	**969**	**9,401**
Borrowings (excluding finance lease liabilities)	**5,283**	**–**	**–**	**5,283**
	43,939	**3,795**	**969**	**48,703**
At 31 December 2016				
Trade and other payables	16,409	–	–	16,409
Amount due to a director	48	–	–	48
Finance lease liabilities	3,118	524	108	3,750
Borrowings (excluding finance lease liabilities)	12,267	–	–	12,267
	31,842	524	108	32,474

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity.

The gearing ratios of the Group are as follows:

	2017	2016
	HK$'000	HK$'000
Total borrowings *(Note 22)*	**14,231**	15,703
Total equity	**71,318**	32,265
Gearing ratio	**20%**	49%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of each reporting period.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

5 REVENUE, OTHER INCOME AND OTHER GAIN AND LOSS AND SEGMENT INFORMATION

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

	2017 HK$'000	2016 HK$'000
Revenue		
Foundation and related works *(Note a)*	**138,276**	131,813
Other income and other gain and loss		
Interest income	**71**	–
Rental income	**–**	20
Foreign exchange gain	**36**	–
Gain/(loss) on disposal of property, plant and equipment	**302**	(58)
Amortisation of deferred gain *(Note 25)*	**463**	93
Others	**63**	866
	935	921

Note:

(a) Related works included site formation works and other geotechnical engineering works.

5 REVENUE, OTHER INCOME AND OTHER GAIN AND LOSS AND SEGMENT INFORMATION *(continued)*

Segment information

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors regards the Group's business as a single operating segment and reviews financial statements accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

Information about major customers

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

	2017	2016
	HK$'000	HK$'000
Customer A	**39,227**	59,193
Customer B	**58,260**	34,404
Customer C	**N/A[1]**	33,554
Customer D	**29,029**	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group during the corresponding years.

6 EXPENSES BY NATURE

	2017	2016
	HK$'000	HK$'000
Cost of sales		
Construction contracts costs		
Staff costs *(Note 7)*	**10,841**	28,201
Depreciation of property, plant and equipment *(Note a)*	**3,689**	3,226
Other construction contracts costs *(Note b)*	**107,673**	75,789
	122,203	107,216

6 EXPENSES BY NATURE *(continued)*

	2017	2016
	HK$'000	HK$'000
Administrative and other operating expenses		
Auditors' remuneration		
– Current year	**680**	50
– Overprovision in prior year	**(10)**	–
Depreciation of property, plant and equipment *(Note a)*	**596**	330
Listing expenses	**7,746**	4,675
Operating lease rental on premises	**1,199**	800
Staff costs, including directors' emoluments *(Note 7)*	**6,640**	5,673
Other expenses	**4,928**	3,405
	21,779	14,933

Notes:

(a)

	2017	2016
	HK$'000	HK$'000
Depreciation *(Note 14)*	**4,155**	3,523
Add: Amount included in gross amounts due from/to customers for contract work	**130**	33
	4,285	3,556

(b) Other construction contracts costs included but are not limited to construction materials, subcontracting charges, machinery and equipment leasing expense and repair and maintenance.

7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2017	2016
	HK$'000	HK$'000
Salaries, allowances and other benefits	**16,566**	32,033
Retirement scheme contributions		
– defined contribution plan	**587**	962
	17,153	32,995
Add: Amount included in gross amounts due from/to customers for contract work	**328**	879
	17,481	33,874

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund ("**MPF**") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

8 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the year ended 31 December 2017 is set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2017					
Executive directors					
Mr. Lau *(Chief Executive Officer)*	**–**	**1,106**	**–**	**18**	**1,124**
Ms. Yuen	**–**	**390**	**–**	**18**	**408**
Independent non-executive directors					
Mr. Ng Ki Man	**82**	**–**	**–**	**–**	**82**
Mr. Iu Tak Meng Teddy	**82**	**–**	**–**	**–**	**82**
Mr. Chong Kam Fung	**82**	**–**	**–**	**–**	**82**
	246	**1,496**	**–**	**36**	**1,778**
Year ended 31 December 2016					
Executive directors					
Mr. Lau	–	1,108	60	18	1,186
Ms. Yuen	–	130	10	6	146
	–	1,238	70	24	1,332

Mr. Lau and Ms. Yuen were appointed as executive directors of the Company on 4 January 2016. Mr. Lau was also a director of certain subsidiary of the Company during the year ended 31 December 2016 and the Group paid emoluments to him in his capacity as the director of this subsidiary before his appointment as an executive director of the Company.

Mr. Ng Ki Man, Mr. Iu Tak Meng Teddy and Mr. Chong Kam Fung were appointed as independent non-executive directors of the Company on 7 June 2017.

During the year ended 31 December 2017, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil). No director has waived or agreed to waive any emoluments during the year ended 31 December 2017 (2016: Nil).

8 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, one (2016: one) of them is director for the year ended 31 December 2017 whose emoluments are disclosed above. The emoluments in respect of the remaining four (2016: four) individuals for the year ended 31 December 2017 are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries and allowances	**3,107**	2,911
Discretionary bonuses	**–**	228
Retirement scheme contributions	**72**	72
	3,179	3,211

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands (in HK$)		
Nil – HK$1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**1**	1

During the year ended 31 December 2017, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2016: Nil).

9 FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on finance leases	**125**	149
Interest on bank and other borrowings	**389**	321
	514	470

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

	2017 HK$'000	2016 HK$'000
Hong Kong profits tax:		
– Current income tax	**12**	2,596
Deferred income tax *(Note 23)*	**699**	(28)
Income tax expense	**711**	2,568

The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2017 HK$'000	2016 HK$'000
(Loss)/profit before income tax	**(5,285)**	10,115
Calculated at a tax rate of 16.5%	**(872)**	1,669
Income not subject to tax	**(92)**	–
Expenses not deductible for tax purposes	**1,675**	823
Others	**–**	76
Income tax expense	**711**	2,568

11 (LOSS)/EARNINGS PER SHARE

	2017	2016
(Loss)/profit attributable to owners of the Company (HK$'000)	**(5,996)**	7,547
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand)	**878,767**	750,000
Basic (loss)/earnings per share (HK cent)	**(0.68)**	1.00

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per shares has been determined on the assumption that the Reorganisation and capitalisation issue had been effective on 1 January 2016.

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per shares as there was no dilutive potential shares.

12 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2017:

Name	**Place of incorporation and kind of legal entity**	**Principal activities and place of operation**	**Particulars of issued share capital**	**Percentage of interest held**
Wide View Enterprises Limited ("**Wide View**")	BVI, limited liability company	Investment holding	Ordinary share United States dollars ("**US$**") 100	100% (direct)
Workbase Engineering Limited ("**Workbase**")	Hong Kong, limited liability company	Provision of foundation and related works	Ordinary share HK$1,000	100% (indirect)

13 DIVIDENDS

	2017	2016
	HK$'000	HK$'000
Dividends	**9,000**	–

During the year ended 31 December 2017, interim dividends of HK$9,000,000 were appropriated to the then shareholder of Wide View. Interim dividends of approximately HK$597,000 was settled by cash and the remaining balance of approximately HK$8,403,000 were settled by offset against the amount due from a director.

No final dividend was proposed by the Board of Directors for the year ended 31 December 2017 (2016: Nil).

14 PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2016	14,800	146	613	3,315	18,874
Additions	1,976	259	125	426	2,786
Disposals	(4,400)	–	–	(427)	(4,827)
At 31 December 2016	12,376	405	738	3,314	16,833
Accumulated depreciation					
At 1 January 2016	5,969	122	319	1,309	7,719
Charge for the year *(Note 6)*	2,862	89	116	456	3,523
Disposals	(3,373)	–	–	(85)	(3,458)
At 31 December 2016	5,458	211	435	1,680	7,784
Net book value					
At 31 December 2016	6,918	194	303	1,634	9,049
Cost					
At 1 January 2017	**12,376**	**405**	**738**	**3,314**	**16,833**
Additions	**12,328**	**–**	**22**	**2,757**	**15,107**
Disposals	**–**	**–**	**–**	**(1,696)**	**(1,696)**
At 31 December 2017	**24,704**	**405**	**760**	**4,375**	**30,244**
Accumulated depreciation					
At 1 January 2017	**5,458**	**211**	**435**	**1,680**	**7,784**
Charge for the year *(Note 6)*	**3,300**	**129**	**122**	**604**	**4,155**
Disposals	**–**	**–**	**–**	**(1,067)**	**(1,067)**
At 31 December 2017	**8,758**	**340**	**557**	**1,217**	**10,872**
Net book value					
At 31 December 2017	**15,946**	**65**	**203**	**3,158**	**19,372**

The net book value of machinery and equipment and motor vehicles of the Group include amounts of approximately HK$8,743,000 (2016: HK$3,269,000) and approximately HK$3,087,000 (2016: HK$1,593,000), respectively, in respect of assets held under finance leases.

15 FINANCIAL INSTRUMENTS BY CATEGORY

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables		
Trade and other receivables excluding prepayments	**25,741**	28,259
Amount due from a director	**–**	5,018
Cash and bank balances	**58,266**	5,521
Total	**84,007**	38,798
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**34,019**	16,409
Amount due to a director	**–**	48
Borrowings (excluding finance lease liabilities)	**5,216**	12,072
Finance lease liabilities	**9,015**	3,631
Total	**48,250**	32,160

16 TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**9,484**	15,153
Other receivables, deposits and prepayments	**2,467**	6,870
Retention receivables	**14,128**	8,787
	26,079	30,810

Notes:

(a) 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. Trade receivables are denominated in HK$.

16 TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(b) The ageing analysis of the trade receivables based on date of payment certificates issued by customers is as follows:

	2017	2016
	HK$'000	HK$'000
0–30 days	**6,098**	15,153
31–60 days	**437**	–
61–90 days	**–**	–
Over 90 days	**2,949**	–
	9,484	15,153

Trade receivables of approximately HK$6,535,000 (2016: HK$15,153,000) as at 31 December 2017 were not yet past due and approximately HK$2,949,000 (2016: Nil) as at 31 December 2017 were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made. The ageing analysis of trade receivables that were past due but not impaired are as follows:

	2017	2016
	HK$'000	HK$'000
Overdue by:		
Over 90 days	**2,949**	–

Except for retention receivables of approximately HK$6,531,000 as at 31 December 2017 (2016: HK$4,256,000), which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

(c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

17 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017 HK$'000	2016 HK$'000
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	**124,192**	178,926
Less: Progress billings received and receivable	**(107,160)**	(163,468)
	17,032	15,458

	2017 HK$'000	2016 HK$'000
Gross amounts due to customers for contract work		
Progress billings received and receivable	**25,486**	–
Less: Contract costs incurred plus recognised profits less recognised losses	**(23,225)**	–
	2,261	–

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

18 AMOUNT DUE FROM/TO A DIRECTOR

(a) Amount due from a director

			Maximum outstanding balance during the year ended 31 December	
Name of director	**2017** **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000
Mr. Lau	**5,018**	5,018	**–**	5,018

The amount due was non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

(b) Amount due to a director

Name of director	**2017** **HK$'000**	2016 HK$'000
Ms. Yuen	**–**	48

The amount due was non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

19 CASH AND BANK BALANCES

	2017 HK$'000	2016 HK$'000
Cash at banks	**58,259**	5,511
Cash on hand	**7**	10
	58,266	5,521

Notes:

(a) The carrying amounts of cash and bank balances were denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	**58,263**	5,520
Japanese Yen	**1**	–
US$	**2**	1
	58,266	5,521

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

20 SHARE CAPITAL

	Note	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
On 4 January 2016 (date of incorporation)	*a*	38,000,000	380
At 31 December 2016 and 1 January 2017		38,000,000	380
Increase in authorised share capital	*b*	2,962,000,000	29,620
At 31 December 2017		3,000,000,000	30,000
Issued and fully paid:			
On 4 January 2016 (date of incorporation)	*a*	1	–
At 31 December 2016 and 1 January 2017		1	–
Reorganisation	*c*	9,999	–
Capitalisation issue	*d*	749,990,000	7,500
Shares issued under public offer	*e*	250,000,000	2,500
At 31 December 2017		1,000,000,000	10,000

Notes:

(a) The Company was incorporated in the Cayman Islands on 4 January 2016 with an authorised share capital of HK$380,000 divided into 38,000,000 shares at a par value of HK$0.01 each. On 4 January 2016, one fully-paid share was allotted and issued to the initial subscriber of the Company, which was subsequently transferred to Brightly Ahead on 29 January 2016.

(b) On 7 June 2017, the Company resolved to increase its authorised share capital from HK$380,000 to HK$30,000,000 by the creation of an additional 2,962,000,000 shares, each ranking pari-passu with the shares then in issue in all respects.

(c) On 7 June 2017, the Company acquired the entire issued share capital in Wide View, and as consideration, the Company allotted and issued 9,999 nil-paid shares in the Company, credited as fully-paid, to Brightly Ahead. Pursuant to the aforesaid transactions, the Company became the holding company of Wide View and Workbase, and Brightly Ahead became the shareholder of the entire issued share capital of the Company.

(d) On 7 June 2017, the Company resolved to increase its authorised share capital from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$30,000,000 divided into 3,000,000,000 shares of HK$0.01 each in order to be positioned to (i) allot and issue 250,000,000 new shares to the public offer; and (ii) allot and issue a further 749,990,000 new shares to the existing shareholder of the Company, namely Brightly Ahead.

(e) The Company's shares were successfully listed on GEM on 27 June 2017. Upon the completion of the listing, 250,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.24 per share for a total consideration of HK$60,000,000.

21 SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 7 June 2017 as to attract and retain the best available personnel, to provide additional incentive to the eligible participants and to promote the success of the business of the Group under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any employee (full-time or part-time), director, substantial shareholder, consultant or adviser, distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, to subscribe for shares of the Company. The eligibility of any participant to the grant of any option shall be determined by the Board of Directors from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded. The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue as at the listing date. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit.

The total number of shares issued and to be issued upon exercise of the options granted to any participant (including both exercised and outstanding options) under the Scheme, in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of such limit must be separately approved by shareholders of the Company in general meeting with such grantee and his associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee of the option). Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Scheme and any other share option schemes of the Company (including option exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at a general meeting of the Company, with voting to be taken by way of poll.

21 SHARE OPTION SCHEME *(continued)*

An offer for the grant of share options might be accepted in writing within 7 days inclusive of the day on which such offer was made. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board of Directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

The subscription price shall be a price solely determined by the Board of Directors and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's 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 Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share on the date of grant of the option.

The Scheme will remain in force for a period of ten years commencing on 7 June 2017, subject to early termination provisions contained in the Scheme.

No option has been granted by the Company under the Scheme since its adoption and up to 31 December 2017.

22 BORROWINGS

	2017 **HK$'000**	2016 HK$'000
Non-current		
Finance lease liabilities *(Notes b and c)*	**4,649**	615
Current		
Bank and other borrowings *(Notes a, c and d)*	**5,216**	12,072
Finance lease liabilities *(Notes b and c)*	**4,366**	3,016
	9,582	15,088
Total borrowings	**14,231**	15,703

22 BORROWINGS *(continued)*

Notes:

(a) Bank and other borrowings

The bank and other borrowings are classified as current liabilities according to the HK Interpretation 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* issued by the HKICPA. According to the repayment schedule, the bank and other borrowings are repayable as follows:

	2017 **HK$'000**	2016 HK$'000
Within 1 year	**5,216**	12,004
Between 1 and 2 years	**–**	68
	5,216	12,072

The carrying amounts of the bank and other borrowings are denominated in HK$.

(b) Finance lease liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

At the end of lease term of certain finance leases the Group has the option to purchase the leased asset at a price deemed to be a bargain purchase option.

	2017 **HK$'000**	2016 HK$'000
Gross finance lease liabilities – minimum lease payments		
Within 1 year	**4,637**	3,118
Between 1 and 2 years	**3,795**	524
Between 2 and 5 years	**969**	108
	9,401	3,750
Future finance charges on finance leases	**(386)**	(119)
Present value of finance lease liabilities	**9,015**	3,631

The present value of finance lease liabilities is as follows:

	2017 **HK$'000**	2016 HK$'000
Within 1 year	**4,366**	3,016
Between 1 and 2 years	**3,691**	510
Between 2 and 5 years	**958**	105
	9,015	3,631

The finance leases are secured by the Group's machinery and equipment with an aggregate net book value of approximately HK$8,743,000 (2016: HK$3,269,000) and motor vehicles with an aggregate net book value of approximately HK$3,087,000 (2016: HK$1,593,000) as at 31 December 2017. Finance leases with carrying amounts of approximately HK$226,000 (2016: HK$3,293,000) as at 31 December 2017 are guaranteed by personal guarantee given by a director of the Company.

The carrying amounts of all finance lease liabilities are denominated in HK$.

22 BORROWINGS *(continued)*

Notes: (continued)

(c) The interest rates per annum of borrowings are as follows:

	2017	2016
Bank and other borrowings	**3.49% to 8.47%**	3.48% to 8.23%
Finance lease liabilities	**3.12% to 6.47%**	3.13% to 6.47%

(d) These facilities are secured by:

(i) Personal guarantees given by a director of the Company as at 31 December 2016; and

(ii) Guarantees by the Government of Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme as at 31 December 2016.

23 DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax liabilities	**Depreciation allowances** HK$'000
At 1 January 2016	811
Credited to profit or loss *(Note 10)*	(28)
At 31 December 2016 and 1 January 2017	783
Charged to profit or loss *(Note 10)*	699
At 31 December 2017	**1,482**

24 TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**26,688**	9,278
Accrued employee benefit expenses	**1,909**	2,559
Other accruals and payables	**1,579**	1,095
Retention payables	**3,843**	3,477
	34,019	16,409

Notes:

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

	2017 HK$'000	2016 HK$'000
0 – 30 days	**10,276**	4,723
31 – 60 days	**9,711**	3,277
61 – 90 days	**6,548**	1,236
Over 90 days	**153**	42
	26,688	9,278

Trade payables of approximately HK$312,000 as at 31 December 2016 are guaranteed by personal guarantees given by directors of the Company.

All of the retention payables are expected to be settled within one year.

(b) All trade and other payables are denominated in HK$.

25 DEFERRED GAIN

During the year ended 31 December 2016, the Group sold construction machineries and leased back the relevant assets with a lease term of 1 year under sale and leaseback arrangement. There were approximately HK$556,000 deferred gain arising from the sale and leaseback transaction to be amortised over its lease term. For the year ended 31 December 2017, deferred gain on sale and leaseback of property, plant and equipment of approximately HK$463,000 (2016: HK$93,000) was released and recognised in the consolidated statement of profit or loss and other comprehensive income.

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of (loss)/profit before income tax to net cash generated from/(used in) operations

	2017	2016
	HK$'000	HK$'000
(Loss)/profit before income tax	**(5,285)**	10,115
Adjustments for:		
Depreciation	**4,155**	3,523
Amortisation of deferred gain	**(463)**	(93)
(Gain)/loss on disposal of property, plant and equipment	**(302)**	58
Interest expense	**514**	470
Interest income	**(71)**	–
Operating (loss)/profit before working capital changes	**(1,452)**	14,073
Decrease/(increase) in trade and other receivables	**4,731**	(14,413)
Increase in gross amounts due from customers for contract work	**(1,574)**	(3,103)
Increase in trade and other payables	**17,610**	3,751
Increase/(decrease) in gross amounts due to customers for contract work	**2,261**	(1,339)
Net cash generated from/(used in) operations	**21,576**	(1,031)

(b) Material non-cash transactions

During the year ended 31 December 2017, additions to property, plant and equipment of approximately HK$4,989,000 (2016: HK$374,000) were financed by finance lease arrangements.

During the year ended 31 December 2017, settlement of finance lease of approximately HK$268,000 (2016: HK$284,000) was settled by disposal of property, plant and equipment.

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Reconciliation of liabilities arising from financing activities:

	As at 1 January 2017	Cash flows	Non-cash changes	As at 31 December 2017
	HK$'000	HK$'000	HK$'000	HK$'000
Amount due to a director	48	(48)	–	–
Bank and other borrowings	12,072	(6,856)	–	5,216
Finance lease liabilities *(Note)*	3,631	663	4,721	9,015
Total liabilities from financing activities	15,751	(6,241)	4,721	14,231

Note:

Non-cash changes represent acquisition of property, plant and equipment and settlement of finance lease settled by disposal of property, plant and equipment.

27 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the end of reporting period not provided for in the consolidated financial statements were as follows:

	2017	2016
	HK$'000	HK$'000
Contracted but not provided for:		
Property, plant and equipment	**2,819**	–

(b) Operating lease commitments – Group as lessee

The future minimum lease payments under non-cancellable operating leases were payable as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**516**	454
In the second to fifth years inclusive	**133**	61
	649	515

The Group is the lessee in respect of office premises, quarters and warehouses under operating leases. The leases typically run for an initial period of 1 to 2 years, with an option to renew the leases when all terms are renegotiated.

28 RELATED PARTY TRANSACTIONS

Apart from disclosures elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties.

The emoluments of the directors (executive and non-executive) of the Group during the year are disclosed in Note 8.

29 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

30 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position

	Note	**2017 HK$'000**	2016 HK$'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**30,601**	–
Current assets			
Prepayments		**78**	2,129
Amount due from a subsidiary		**14,388**	–
Cash and bank balances		**25,202**	–
		39,668	2,129
Total assets		**70,269**	2,129
EQUITY			
Capital and reserves			
Share capital		**10,000**	–
Reserves	*30(b)*	**59,989**	(4,675)
Total equity		**69,989**	(4,675)
LIABILITIES			
Current liabilities			
Accruals		**280**	–
Amount due to a subsidiary		**–**	6,804
		280	6,804
Total equity and liabilities		**70,269**	2,129
Net current assets/(liabilities)		**39,388**	(4,675)
Total assets less current liabilities		**69,989**	(4,675)

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 26 March 2018 and are signed on its behalf by:

Mr. Lau Chung Ho	**Ms. Yuen Suk Har**
Director	*Director*

30 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(continued)*

(b) Reserves movement

	Share premium HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
On 4 January 2016 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(4,675)	(4,675)
Balance at 31 December 2016	–	–	(4,675)	(4,675)
Balance at 1 January 2017	**–**	**–**	**(4,675)**	**(4,675)**
Loss and total comprehensive expense for the year	**–**	**–**	**(9,986)**	**(9,986)**
Reorganisation	**–**	**30,601**	**–**	**30,601**
Capitalisation issue	**(7,500)**	**–**	**–**	**(7,500)**
Shares issued under public offer	**57,500**	**–**	**–**	**57,500**
Shares issuance costs	**(5,951)**	**–**	**–**	**(5,951)**
Balance at 31 December 2017	**44,049**	**30,601**	**(14,661)**	**59,989**

Special reserve

Special reserve represents the difference between the total equity of Wide View acquired pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefore.

Financial Summary

	For the year ended 31 December			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**138,276**	131,813	75,320	53,785
Gross profit	**16,073**	24,597	20,998	12,596
(Loss)/profit before income tax	**(5,285)**	10,115	14,163	9,390
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company	**(5,996)**	7,547	11,456	7,857
Total assets	**123,311**	65,856	52,984	31,304
Total liabilities	**51,993**	33,591	28,266	18,042
Total equity and liabilities	**123,311**	65,856	52,984	31,304