LAPCO HOLDINGS LIMITED
立高控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8472

ANNUAL REPORT
2017

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CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Pak Ling (林柏齡先生)
(Chairman and chief executive officer)
Mr. Cai Weiming (蔡偉明先生)
Mr. Wong Tsz Chun, Jacky (王子進先生)

Non-executive Director

Mr. Choi Chung Yin (蔡仲言先生)

Independent non-executive Directors

Mr. Mak Kwok Kei (麥國基先生)
Mr. Ho Kin Wai (何建偉先生)
Ms. Lam Kit Yan (林潔恩女士)

AUDIT COMMITTEE

Ms. Lam Kit Yan (林潔恩女士) *(Chairman)*
Mr. Ho Kin Wai (何建偉先生)
Mr. Mak Kwok Kei (麥國基先生)

REMUNERATION COMMITTEE

Mr. Ho Kin Wai (何建偉先生) *(Chairman)*
Mr. Lam Pak Ling (林柏齡先生)
Mr. Mak Kwok Kei (麥國基先生)

NOMINATION COMMITTEE

Mr. Lam Pak Ling (林柏齡先生) *(Chairman)*
Mr. Mak Kwok Kei (麥國基先生)
Mr. Ho Kin Wai (何建偉先生)

COMPANY SECRETARY

Mr. Tam Yiu Shing Billy (譚耀誠先生)
Certified Public Accountant

COMPLIANCE OFFICER

Mr. Lam Pak Ling (林柏齡先生)

AUTHORISED REPRESENTATIVES

Mr. Lam Pak Ling (林柏齡先生)
Mr. Tam Yiu Shing Billy (譚耀誠先生)
Certified Public Accountant

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AUDITOR

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Certified Public Accountants
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

08472

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Lapco Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**Lapco**"), I am pleased to present the audited consolidated annual results for the year ended 31 December 2017 (the "**Reporting Period**") of the Group.

Lapco reached a key milestone in corporate development in 2017. We are proud of our successful listing (the "**Listing**") on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 July 2017 (the "**Listing Date**"). Capitalised on our solid foundation, we transformed ourselves to be a listed company, and took our corporate governance and operations to a whole new next level.

During the Reporting Period, we faced the pressure of keen competition within the environmental hygiene service industry, shortage of labour and increasing operational costs, which resulted in the decrease of gross profit, net profit and profit margin. However, through providing high quality environmental hygiene services, our outstanding track record and good business relationship with our customers, the Group managed to record a growth in our revenue, as well as secured large-scale contracts from both public and private environmental hygiene service sectors.

It is our objectives to achieve sustainable growth and raise our overall competitiveness. As such, we have been focusing on enhancing our operational efficiency and cost control, as well as improving our internal control and financial position. During the Reporting Period, the Group allocated more resources to training and inspection in the areas of occupational safety, job specific skills and operations as well as regulations for our employees, so as to promote occupational safety and compliance.

Apart from increasing operational resources, we will continue to strengthen our information technology application systems to enhance our operational efficiency, and extend our operations in private sector to broaden our customer base. Furthermore, in order to tackle the problem of increasing labour costs, we will purchase more advanced cleaning machinery and equipment to optimise the cost model.

Looking forward, although the proposed implementation of the policy of charging municipal solid waste by the Environment Bureau might bring changes to the cleaning industry, we believe, the raising concern on environmental hygiene of the public and the government will accelerate the demand for environmental hygiene services. We, as a large-scale provider of cleaning services, are well-positioned to explore the business opportunities to further develop our services, with a view to bringing long term value to our shareholders.

I would like to express my sincere gratitude to my fellow directors and all our staff in Lapco. Lapco would not have accomplished so much today without the dedication and cooperation from all of them. I would also like to sincerely thank our shareholders and business partners for their unfailing support and trust to the Group.

Lam Pak Ling
Chairman of the Board, Executive Director and Chief Executive officer

22 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are an established and one-stop environmental service provider based in Hong Kong. Our environmental hygiene services cover four types, namely (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services. We provide our environmental hygiene services to a wide range of venues including streets, cultural, leisure and recreational premises, residential premises, commercial buildings, markets, restaurants and academic institutions etc. Our major customers during the year ended 31 December 2017 include various departments of the HK Government, property management companies and other corporations in the private sector.

The successful listing of the Company's shares on GEM of the Stock Exchange on 18 July 2017 was a milestone for the Group in improving capital strength and corporate governance as well as enhancing its competitive edge.

As at 31 December 2017, we had ten contracts in hand for street cleaning services with a total contract sum of approximately HK$631,915,000. During the Reporting Period, we were awarded seven new contracts for street cleaning services with a total contracts sum of approximately HK$466,931,000 extending across two years service contracts with the government department of Hong Kong responsible for public hygiene.

During the Reporting Period, we provided tender and quotations for our street cleaning solutions. As at the date of this report, we had submitted four subsisting tenders for our street cleaning solutions. We are confident about the outlook of the Group and the prospects of the environmental cleaning service industry, and thereby have been investing heavily on purchase of additional motor vehicles, cleaning machinery and equipment so as to expand our business and enhance our ability to undertake more projects.

Furthermore, we intend to build on our track record and capitalize on our customer relationship to secure additional opportunities to offer our services. We believe that our long-standing relationship with some of our key customers does provide us with significant advantages to continue to increase our market share. As many of our customers, such as government departments of Hong Kong and property management companies, have multiple projects in Hong Kong, we will continue to foster their confidence in our service delivery with a view to identifying and acquiring new opportunities to serve them.

Undoubtedly, we intend to secure more tender contracts with government departments of Hong Kong that have not previously engaged our service. With our considerable resources, including our stable and sizeable labour force and growing fleet of specialized vehicles, we believe that we are particularly well-equipped to undertake new projects of government departments of Hong Kong, which generally require cleaning services providers with substantial resources, such as our Group, to undertake their medium-size and large scale projects.

By bolstering our sales and marketing manpower to promote our brand recognition in the coming years, we will endeavour to become more competitive and be able to compete for more sizeable and profitable projects.

Financial Results

Revenue of the Group increased by 10.9% from approximately HK$404.1 million for the year ended 31 December 2016 to approximately HK$448.0 million for the Reporting Period. The Group, however, significantly increased the cost of service by 15.1% to approximately HK$418.8 million (2016: approximately HK$363.9 million) and recorded a significant decrease of 27.4% in gross profit to approximately HK$29.2 million (2016: approximately HK$40.2 million). Gross profit margin also decreased by 3.4% to 6.5% (2016: 9.9%). Such decrease was mainly attributable to the significant revenue contribution contracts which have lower gross profit margins compared to other contracts. Coupled with the increase in administrative expenses and finance costs, the Company recorded a loss attributable to equity shareholders of the Company (the "**Shareholders**") for the year ended 31 December 2017 which amounted to approximately HK$8.2 million as compared to the profit attributable to the Shareholders for the year ended 31 December 2016 of approximately HK$8.8 million.

Final Dividend

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

HUMAN RESOURCES

As at 31 December 2017, the Group employed 3,815 employees, including both full time and part time (31 December 2016: 2,263). Remuneration packages are generally structured by reference to market terms, individual qualifications and experience.

During the Reporting Period, various training activities, such as training on operational safety, administrative and management skills, were conducted to improve the quality of front-end services, office support and management. In addition, employees are also encouraged, subsidised and sponsored to attend job-related seminars and courses organised by professional and/or educational institution to ensure the smooth and effective management of the Group's business.

FINANCIAL REVIEW

Revenue

The Group's revenue for the years ended 31 December 2017 and 2016 were approximately HK$448.0 million and HK$404.1 million, respectively, representing an increase of approximately 10.9%. The increase was mainly driven by the new contracts awarded during the Reporting Period in our service segments of cleaning, landscaping and pest management.

The following table sets forth our revenue by business segments during the years ended 31 December 2017 and 2016:

	For the year ended 31 December			
	2017		2016	
	HK$'000	***%***	*HK$'000*	*%*
Cleaning services	**327,807**	**73.2**	343,982	85.1
Pest management services	**43,353**	**9.7**	31,552	7.8
Waste management and recycling services	**75,924**	**16.9**	27,870	6.9
Landscaping services	**937**	**0.2**	720	0.2
Total	**448,021**	**100.0**	404,124	100.0

The revenue from cleaning services decreased by approximately 4.7% for the year ended 31 December 2017 as comparing with that of the previous year as certain cleaning services contracts expired during the year. The revenue from pest management services increased by approximately 37.4% for the year ended 31 December 2017 as compared to the previous year as certain pest management services contracts awarded during the year. The revenue from waste management and recycling services increased significantly by approximately 172.4% for the year ended 31 December 2017 as compared to the previous year as certain mega waste management and recycling services contracts awarded during the year.

More details of the Group's performance for the Reporting Period by business segments is set out in note 6 to the consolidated financial statements.

Cost of Services

For the years ended 31 December 2017 and 2016, the cost of services of the Group amounted to approximately HK$418.8 million and HK$363.9 million respectively, representing approximately 93.5% and 90.1% of the Group's revenue for the corresponding years. Our cost of services mainly consists of direct labour costs, vehicle expenses, consumables, and direct overheads. The cost of services increase in proportion to the Group's revenue during the Reporting Period as the Group was awarded several significant contracts which have lower gross profit margins as compared to other contracts.

Gross Profit

The Group's gross profit for the year ended 31 December 2017 was approximately HK$29.2 million, representing a decrease of approximately 27.4% from approximately HK$40.2 million for the year ended 31 December 2016. The decrease was mainly due to the increase in cost of services of the Group.

Gross Profit Margin

The gross profit margins of the Group for the years ended 31 December 2017 and 2016 were approximately 6.5% and 9.9% respectively. As mentioned above, the decrease in gross profit margin was mainly attributable to several significant revenues contribution contracts with lower gross profit margin which were awarded to the Group during the Reporting Period.

Administrative Expenses

The administrative expenses incurred by the Group for the years ended 31 December 2017 and 2016 were approximately HK$24.1 million and HK$17.7 million respectively, representing an increase of approximately 36.7%, and approximately 5.4% and 4.4% of the respective year's total revenue. The increase was mainly attributable to the post-listing professional expenses and higher staff costs resulting from the additional headcounts of the Reporting Period. The Group continues to implement its budgeted cost control measures for administrative expenses.

Finance Costs

The finance costs of the Group amounted to approximately HK$5.1 million and HK$3.6 million for the years ended 31 December 2017 and 2016 respectively, representing approximately 1.1% and approximately 0.9% of the Group's revenue in the respective years.

Loss/Profit Attributable to Equity Shareholders of The Company

As a result of the foregoing, the loss attributable to the Shareholders for the year ended 31 December 2017 amounted to approximately HK$8.2 million, which included the non-recurring listing expenses of approximately HK$9.7 million for the year ended 31 December 2017 (2016: approximately HK$6.9 million), comparing with the profit attributable to the Shareholders of approximately HK$8.8 million for the year ended 31 December 2016.

FOREIGN CURRENCY EXPOSURE

The Group's foreign currency exposure is limited as most of its transactions, assets and liabilities are denominated in Hong Kong dollars.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017, total borrowings of the Group amounted to approximately HK$98.8 million (2016: approximately HK$48.8 million) which represented the secured bank overdraft, secured term loans and secured loans from factoring of trade receivables with full resource. As at 31 December 2017, the cash and cash equivalents and pledged bank balances of the Group amounted to approximately HK$30.6 million (2016: approximately HK$13.7 million). As at 31 December 2017, debt to equity ratio of the Group was 233.3% (2016: 186.1%). Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank borrowings, bank overdrafts and obligations under finance leases net of pledged bank balances and bank balances and cash, by total equity at the end of the respective years. Current ratio as at 31 December 2017 was approximately 1.0 times (2016: approximately 1.1 times).

The Group maintained sufficient working capital as at 31 December 2017 with bank balances and cash of approximately HK$21.5 million (2016: approximately HK$4.6 million). The Board of Directors will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

As at 31 December 2017, the Group's net current assets amounted to approximately HK$3.7 million (2016: approximately HK$5.6 million). The Group's operations are financed principally by operating cashflow generated from its business operation, available cash and bank balances, bank borrowings and obligations under finance lease.

CONTINGENT LIABILITIES

As at 31 December 2017, performance guarantee of approximately HK$71,544,000 (2016: HK$50,730,000) and HK$18,178,000 (2016: nil) were given by banks and an insurance company respectively in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantee have been given, such customers may demand the banks and the insurance company to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks and the insurance company accordingly. The performance guarantee will be released upon completion of the service contracts.

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company through the Public Offer of an aggregate of 10,000,000 Public Offer Shares and the placing of 90,000,000 ordinary shares of HK$0.01 each in the share capital of the Company at the price of HK$0.50 per share, after deducting the underwriting commission and estimated listing expenses borne by our Group and excluding the net proceeds of the Sale Shares, were approximately HK$18.7 million ("**Actual Proceeds**"), as compared to the estimated net proceeds of approximately HK$20.8 million as disclosed in the prospectus dated 30 June 2017 of the Company (the "**Prospectus**"), there were shortage of approximately HK$2.1 million mainly due to the additional listing expenses at final payment. Accordingly, the Group has adjusted the use of proceeds on a pro-rata basis. The utilization of net proceeds as at 31 December 2017 is set out below:

Summary of use of proceeds

Use of net proceeds	Total planned amount to be used *HK$' million*	Planned use of proceed up to 31 December 2017 *HK$' million*	Actual amount utilized up to 31 December 2017 *HK$' million*	Actual balance as at 31 December 2017 *HK$' million*
Procure additional vehicles	9.0	2.00	2.00	7.0
Procure additional equipment	0.9	0.33	0.33	0.57
Hire additional staff	1.4	0.40	0.40	1.0
Enhance information technology application system to enhance operational efficiency	2.7	–	–	2.7
Repay a bank loan	2.9	3.20	1.90	1.0
General working capital	1.8	0.40	0.40	1.4
Total	18.7	6.33	5.03	13.67

The Directors will constantly evaluate the Group's business objectives and will change or modify the plans against the changing market condition to suit the business growth of the Group.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2017, the amounts payable under finance leases within one year was approximately HK$23.5 million (31 December 2016: HK$11.3 million), and after one year but within five years was approximately HK$53.3 million (31 December 2016: HK$18.9 million).

As at 31 December 2017, we had approximately HK$95.3 million (31 December 2016: HK$44.8 million) of secured bank borrowings (excluding secured bank overdrafts). Such loans were primarily used in financing the working capital requirement of our operations.

The amount of term loans reduced to approximately HK$12.4 million as at 31 December 2017 (31 December 2016: HK$14.2 million).

In addition, we have (i) pledged bank balances of approximately HK$9.1 million as at 31 December 2017 (31 December 2016: HK$9.1 million) and (ii) pledge of the Group's trade receivables of approximately HK$107.3 million as at 31 December 2017 (31 December 2016: HK$65.4 million).

Save as mentioned above in this section, we did not have any outstanding mortgages or charges, borrowings or indebtedness including bank overdrafts, loans or debentures, loan capital, debt securities or other similar indebtedness, finance lease or hire purchase.

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

During the Reporting Period, the Group did not make any material acquisition, disposal nor significant investment.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Pak Ling (林柏齡), aged 58, is our executive Director, our chairman, our chief executive officer and our compliance officer.

Mr. Lam is the founder of our Group and a member of our Group of Controlling Shareholders (as defined in paragraph 24 of the Report of the Directors contained in this annual report) and was appointed as our Director on 12 August 2016 and was re-designated as our executive Director on 7 November 2016. He is also the director of Sharp Idea Global Limited ("**Sharp Idea**"), Lapco Service Limited ("**Lapco Service**"), Shiny Glory Services Limited ("**Shiny Glory**") and Shiny Hope Limited ("**Shiny Hope**"). Founding Shiny Glory in 1990 and Lapco Service in 1999, Mr. Lam has over 27 years of experience in the environmental hygiene service industry and is primarily responsible for the overall management, strategic planning and business development of our Group. In addition to his experience in the field, Mr. Lam completed a certificate course on Pest Control Technology and Management conducted by Hong Kong Productivity Council in May 1995. He was further awarded certificate in Operations and Workflow Management issued by The Hong Kong Management Association in December 2000. Further, Mr. Lam completed the ISO 14001:1996 EMS Internal Auditor Training Course in February 2004, Integrated Management System Internal Auditor Training Course (ISO 9001:2000, ISO 14001:2004, OHSAS 18001:1999) in May 2006 and Integrated Management System Implementation Training Course (ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007) in June 2016.

Mr. Lam cohabits with Ms. Wong Siu Fan, Beatrice as spouse.

Mr. Cai Weiming (蔡偉明), aged 52, is our executive Director.

Mr. Cai was appointed as our Director on 31 October 2016 and was re-designated as executive Director on 7 November 2016. Mr. Cai moved to Hong Kong from the PRC after being granted a permit for residency in Hong Kong in 2006. Prior to his immigration to Hong Kong, Mr. Cai was a legal representative of 東莞市樟木頭樟聯印刷廠 ("**Zhanglian Printing**"), established in Dongguan City, the PRC. Zhanglian Printing, which was wholly owned by Mr. Cai, was principally engaged in printing business in the PRC and was dissolved on 26 July 2007. Mr. Cai joined our Group on 1 November 2006 as the operation manager of Lapco Service and was promoted to senior operation manager in May 2014. Mr. Cai is responsible for the supervision of our cleaning workers in our service locations, in charge of the operation based on our service contracts, planning and directing the operations of our cleaning contracts and allocating resources and frontline staff.

Mr. Cai completed a certificate course in Safety Supervisor (Environmental Hygiene) held by Lion Training Centre in December 2014 and was awarded a certificate in Supervisory Management by The Hong Kong Management Association in January 2015.

Mr. Wong Tsz Chun, Jacky (王子進), aged 27, is our executive Director. He was appointed as our Director on 12 August 2016 and was re-designated as our executive Director on 7 November 2016.

Mr. Wong joined our Group on 30 May 2012 as marketing executive of Shiny Glory and his current position is the senior marketing manager of our Group. He is responsible for the supervision of the marketing department, preparation of tenders and quotations of our Group.

During his services with Shiny Glory, Mr. Wong has brought in new ideas about business strategy and operation functions and maintained good business relationship with our clients. He was involved in a range of business and operational responsibilities in strengthening customer relationships and ensuring the successful continuance of business operations, which include handling invitation to tender and quotations from potential customers, developing pricing strategies with management for tender for services and setting up customer acceptance criteria, general customer assessment and credit provision guideline for Shiny Glory. He also supervised a marketing team in Shiny Glory, which is responsible for developing and implementing marketing strategies, such as advertisements and promotional leaflets.

Mr. Wong completed courses under Yi Jin Programme organised by the Federation for Continuing Education in Tertiary Institution, of which the City University of Hong Kong is a member institution, in August 2009.

NON-EXECUTIVE DIRECTOR

Mr. Choi Chung Yin (蔡仲言), aged 31, is our non-executive Director.

Mr. Choi was appointed as our Director on 12 August 2016 and was re-designated as our non-executive Director on 7 November 2016. He is responsible for advising on opportunities for business development and strategic planning of our Group, relating to corporate, business and operational strategies.

Mr. Choi has over seven years of experience in the capital markets. Mr. Choi began his career as a currency trader with MS Services Center Limited, a financial services company, whose principal business activities are currency trading and risk management from May 2010 to June 2011. He then worked in the corporate finance department as corporate finance analyst at Beijing Capital Land Limited (stock code: 02868), whose shares are listed on the Stock Exchange and principal business activities are real estate development and investment, commercial real estate operation and property consulting services, from September 2011 to January 2014. He was primarily responsible for acquisitions, bonds issuance, private equity structuring and investor relations maintenance. He then served as a group strategist in Wang On Management Limited, a subsidiary of Wang On Group Limited (stock code: 01222), whose shares are listed on the Stock Exchange and principal business activities are property development, property investment, management and sub-licensing of Chinese wet markets and provision of finance in Hong Kong and the PRC, from January 2014 to October 2015. He was responsible for deal origination and execution, acquisitions and disposals, corporate finance activities and operational management. Mr. Choi is currently a director of Croydon Capital Advisors Limited, which owns 33% of the share capital in Magic Pioneer Limited ("**Magic Pioneer**").

Mr. Choi graduated from University of Warwick with a bachelor degree in economics in 2008 and further obtained a master degree in philosophy from University of Cambridge in October 2009.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mak Kwok Kei (麥國基), aged 32, was appointed as our independent non-executive Director on 24 June 2017.

Mr. Mak has over eight years of experience in securities sales and trading and capital markets advisory at various international investment banks, specialising in initial public offerings and capital fund raising for companies in Hong Kong and China. He worked as a trainee in Credit Agricole Corporate and Investment Bank (Hong Kong Branch), a financial services company, where he was mainly engaged in transacting various high grade corporate and government bonds with central banks in Asia, from September 2009 to November 2010. He also worked at Nomura International (Hong Kong) Limited, a financial services company, as associate where he was mainly engaged in both primary and secondary equity fund raising activities for listed companies and high-net-worth individuals in Asia, from November 2010 to August 2015. Since October 2015, he has served as a managing director and head of equity capital markets in Zhongtai International Capital Limited, a corporate finance advisory company. He is primarily responsible for providing capital markets advisory services to clients and operating and managing the equity capital markets franchise.

Mr. Mak has been a limited partner in WI Harper Fund VIII LP, which is mainly engaged in venture capital investments in healthcare and technology sectors, since May 2016.

Mr. Mak obtained a bachelor degree with first class honour in applied business management from Imperial College London, United Kingdom in August 2008 and subsequently obtained a master degree in philosophy from University of Cambridge, United Kingdom in October 2009.

Ms. Lam Kit Yan (林潔恩), aged 43, was appointed as our independent non-executive Director on 24 June 2017.

Ms. Lam has worked for international audit firms and various companies with extensive experience in financial reporting, auditing, mergers and acquisitions, compliance and initial public offerings. She had been the company secretary, chief financial officer and the authorised representative of Beijing Enterprises Clean Energy Group Limited (formerly known as Jin Cai Holdings Company Limited) (stock code: 01250), whose shares are listed on the Stock Exchange from June 2013 to May 2015. From January 2016 to February 2016, Ms. Lam served as an executive director and company secretary of Aurum Pacific (China) Group Limited (Stock code: 08148) whose shares are listed on the GEM of the Stock Exchange. In November 2016, Ms. Lam was appointed as the company secretary and the authorised representative of New Wisdom Holding Company Limited, formerly known as Epicurean and Company, Limited, (stock code: 08213) whose shares are listed on the GEM of the Stock Exchange.

Ms. Lam obtained a degree of bachelor of business administration from The Chinese University of Hong Kong in December 1997. Ms. Lam has been registered as a certified tax adviser since 2010 and was admitted as a fellow of The Taxation Institute of Hong Kong in July 2012. She has also been a member of the Hong Kong Institute of Certified Public Accountants since February 2001.

Mr. Ho Kin Wai (何建偉), aged 42, was appointed as our independent non-executive Director on 24 June 2017.

From December 2000 to December 2001, Mr. Ho was a programmer of The Chase Manhattan Bank, the principal business of which is providing banking service. From July 2003 to January 2009, he served as sales merchandiser of Betastar Trading Limited, the principal business of which is trading of footwear, responsible for sourcing footwear manufacturers, developing footwear, and handling and monitoring order process. He served as director of (i) Ever Smart International Enterprise Limited and (ii) Ever Smart International Holdings Limited since January 2009 and February 2015, respectively, which is engaged principally in design, development, sourcing, marketing and sale of footwear, the provision of footwear design and production management, and he is responsible for the overall management of both companies. From May 2016, Mr. Ho has served as executive director of Jimu Group Limited, formerly known as Ever Smart International Holdings Limited, (stock code: 08187) following the shares of the latter became listed on the GEM of the Stock Exchange, and he is mainly responsible for its overall business development, sales, strategic planning and major decision-making.

Mr. Ho obtained a bachelor of science in management in August 1999 from Royal Holloway and Bedford New College, University of London in the UK (currently known as Royal Holloway, University of London) and a master of science in interactive multimedia in June 2001 from Middlesex University in the UK.

SENIOR MANAGEMENT

Ms. Wong Siu Fan, Beatrice (黃小芬), aged 51, is a director of Shiny Glory and Sharp Idea.

Ms. Wong is also a member of our Group of Controlling Shareholders and she cohabits with Mr. Lam as spouse. Ms. Wong joined our Group on 30 December 1991 as a director of Shiny Glory and resigned as a director of Shiny Glory on 7 July 1999. She was later re-appointed as a director of Shiny Glory on 15 July 2010. Ms. Wong has over 26 years of experience in the environmental hygiene service industry and is primarily responsible for overseeing and supervision of the financial and operation teams of our Group, in charge of implementation of policies and internal controls, provision of advice on financial planning and budgeting. Ms. Wong is also in charge of staff development and continuous improvement.

Ms. Wong was awarded a graduate diploma in sociology by Hong Kong Shue Yan College in July 1989. She completed the Certificate Course on B.V.I. Companies – Practical Application conducted by Sino Academic Research Centre in March 1999. Ms. Wong also completed ISO 9000:2000 Internal Quality Auditor Training Course in July 2002 and the Integrated Management System Internal Auditor Training Course (ISO 9001:2000, ISO 14001:2004, OHSAS 18001:1999) in May 2006 as well as attended the Awareness and Practical Training for ISO 9000:2000 and ISO 14001:1996 and Awareness Training for OHSAS 18001:1999 Standard, respectively, in March and May 2007.

Mr. Tam Yiu Shing, Billy (譚耀誠), aged 37, is the financial controller and company secretary of our Group.

Mr. Tam joined our Group on 3 May 2016 as an assistant financial controller and is responsible for the overall financial administration. Prior to joining our Group, he served Eddingpharm (Hong Kong) Company Limited, a pharmaceutical company, as a finance and administrative manager from June 2012 to February 2016 and he was primarily responsible for the management of accounting and financial operations. From March 2007 to May 2012, he served PricewaterhouseCoopers Ltd., an international auditing firm, as a manager as his last position in the firm and was primarily responsible for auditing, accounting, financial due diligence, works associated with initial public offerings and mergers and acquisitions.

Mr. Tam graduated from the Hong Kong Polytechnic University with a bachelor degree in Accountancy in November 2004 and was admitted as a member of Hong Kong Institute of Certified Public Accountants in May 2010.

COMPANY SECRETARY

Mr. Tam Yiu Shing, Billy (譚耀誠), our financial controller is also our company secretary. Further details on the company secretary are set forth in the paragraphs headed "Senior management" in this section.

COMPLIANCE OFFICER

Mr. Lam Pak Ling (林柏齡), our executive Director, chief executive officer and chairman, was appointed as our compliance officer on 14 March 2017. Further details on the compliance officer are set forth in the paragraphs headed "Executive Directors" in this section.

REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its major subsidiaries are set out in note 34 to the consolidated financial statements. During the Year, there were no significant changes in the nature of the Group's principal activities.

2. BUSINESS REVIEW

A review of the Group's business during the Reporting Period is provided in the section headed "Management Discussion and Analysis" on page 4 to 9 of this annual report. A description of the Group's corporate governance and the Group's risk management and internal control system is provided in the section headed "Corporate Governance Report" on page 22 to 30 of this annual report. A discussion on the Group's environmental policies, relationships with its key stakeholders and the relevant laws and regulations that have a significant impact on the Group are provided in the section headed "Environmental, Social and Governance Report" on page 31 to 38 of this annual report.

3. SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal operating activities and the Group's assets and liabilities by reportable segments of operations for the year ended 31 December 2017 is set out in note 6 to the consolidated financial statements. No geographical information is represented as nearly all of the Group's businesses were carried out in Hong Kong during the Reporting Period and all of the Group's revenue from external customers was generated in Hong Kong during the Reporting Period.

4. RESULTS AND FINAL DIVIDENDS

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

5. RESERVES

Details of movements in the reserves of the Company and of the Group during the Reporting Period are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

6. SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 25 to the consolidated financial statements.

7. DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company has distributable reserves of approximately HK$13,102,000 available for distribution to shareholders of the Company (2016: nil).

8. 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.

9. BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2017 are set out in the note 22 to the consolidated financial statements.

10. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company (the "**Articles**") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

11. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

12. FINANCIAL SUMMARY

A summary of the results for the year ended 31 December 2017 and of the assets and liabilities of the Group as at 31 December 2017 and for the previous two financial years are set out on page 98.

13. DIRECTORS

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

Executive Directors:
Mr. Lam Pak Ling
Mr. Cai Weiming
Mr. Wong, Tsz Chun, Jacky

Non-executive Director:
Mr. Choi, Chung Yin

Independent Non-executive Directors:
Mr. Mak Kwok Kei (appointed on 24 June 2017)
Ms. Lam Kit Yan (appointed on 24 June 2017)
Mr. Ho Kin Wai (appointed on 24 June 2017)

Pursuant to articles 83(3) and 84 of the Articles, Mr. Lam Pak Ling ("**Mr. Lam**"), Mr. Cai Weiming, Mr. Wong Tsz Chun, Jacky, Mr. Choi Chung Yin and Mr. Mak Kwok Kei will retire from office as Directors at the forthcoming annual general meeting ("**AGM**") and, being eligible, will offer themselves for re-election.

The Company has received an annual confirmation of independence pursuant to rule 5.09 of the Rules governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**") from each of the independent non-executive Directors and, as at the date of this report, still considers them to be independent.

14. BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors as of the date of publication of this report are set out on page 10 to 14.

15. DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lam Pak Ling, Mr. Cai Weiming and Mr. Wong Tsz Chun, Jacky, being all executive Directors, has entered into a service agreement with the Company for an initial term of three years commencing from the 24 June 2017 and continuing thereafter until terminated by either party by giving not less than one months' prior written notice to the other.

Mr. Choi Chung Yin, being a non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 24 June 2017 which may be terminated by either party by giving not less than one month's written notice to the other.

Each of Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Mr. Ho Kin Wai, being all independent non-executive Directors, has entered into a service agreement with the Company for a term of three years commencing from 24 June 2017 which may be terminated by either party by giving not less than one month's prior written notice to the other.

None of the Directors (including those proposed for re-election at the AGM) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

16. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period except as disclosed under the section headed "Continuing Connected Transactions" in this report of the Directors and note 31 to the consolidated financial statements.

17. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, none of the directors of the Company and directors of the Company's subsidiaries, or their respective associates had interests in business, which compete or are likely to compete either directly or indirectly, with the business of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

18. PERMITTED INDEMNITY PROVISIONS

At no time during the year ended 31 December 2017 and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise), or an associated company of the Company (if made by the Company). An associated company is defined in Section 2(1) of the Hong Kong Companies Ordinance.

19. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2017, the interests or short positions of the Directors and chief executive 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 the Securities and Futures Ordinance (the "**SFO**"), Chapter 571), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Interests in the Company

Name of Director	Capacity/nature of interest	Number of ordinary shares	Approximate shareholding
Mr. Lam	Beneficiary of a discretionary trust *(Note)*	300,000,000	75%

Note: All the 300,000,000 Shares are beneficially owned by Gold Cavaliers International Limited ("**Gold Cavaliers**"). Gold Cavaliers is held as to approximately 78.67% (7,867 shares) by Max Super Holdings Limited ("**Max Super**") acting as the trustee of the Lam Family Trust. The Lam Family Trust was established by Mr. Lam and Ms. Wong Siu Fan, Beatrice ("**Ms. Wong**") as the settlors on 8 August 2016 as a discretionary trust for the benefit of themselves. Mr. Lam is one of the Controlling Shareholders, an executive Director and chief executive officer of the Company. By virtue of the SFO, Mr. Lam is thus deemed to be interested in the shares in which Gold Cavaliers is interested.

Interests in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of ordinary shares	Approximate shareholding
Mr. Lam	Gold Cavaliers	Beneficiary of a discretionary trust	7,867	78.67%

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

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

20. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2017, the following persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate shareholding
Mr. Lam	Beneficiary of a discretionary trust	300,000,000	75%
Ms. Wong	Beneficiary of a discretionary trust	300,000,000	75%
Max Super	Interest in a controlled corporation and trustee of a discretionary trust	300,000,000	75%
Gold Cavaliers	Beneficial interest *(Note)*	300,000,000	75%

Note: Gold Cavaliers is held as to approximately 78.67% by Max Super acting as the trustee of the Lam Family Trust. The Lam Family Trust was established by Mr. Lam and Ms. Wong as the settlors on 8 August 2016 as a discretionary trust for the benefit of themselves.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a Director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2017.

21. CONTINUING CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 31 to the consolidated financial statements for the Reporting Period constituted de minimis continuing connected transactions of the Company ("CCTs") and are fully exempt from the reporting, annual reviews, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

22. CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Continuing Connected Transactions" in this report of the Directors:

(i) No contract of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries subsisted during the Reporting Period or at the end of the Reporting Period; and

(ii) No contract of significance for the provision of services to the Company or any of its subsidiaries by controlling shareholder of the Company or any of its subsidiaries subsisted during the Reporting Period or at the end of the Reporting Period.

23. MAJOR CUSTOMERS AND MAJOR SUPPLIERS

Sales to the Group's five largest customers accounted for 94.1% (2016: 95.7%) of the total sales for the Year and sales to the largest customer included therein amounted to 76.1% (2016: 78.1%). Purchases from the Group's five largest suppliers accounted for 32.1% (2016: 20.1%) of the total purchases for the Year and purchases from the largest supplier included therein amounted to 9.9% (2016: 5.9%).

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

24. NON-COMPETITION UNDERTAKINGS

Upon Listing, each member of Gold Cavaliers, Max Super, Mr. Lam, Ms. Wong, Magic Pioneer, Mr. Xiong Jianrui, Mr. Choi Chung Yin, Mr. Tam Wai Tong, Mr. Tam Wai Ho, Croydon Capital Advisors Limited, Earnmill Holdings Limited, TTNB Profit Limited, and Kiteway Assets Limited, or together as a group, became our Group of Controlling Shareholders (the "**Controlling Shareholders**"), being the controlling shareholders (as defined under the GEM Listing Rules) of the Company, have given a non-competition undertaking in favour of the Company (the "**Non-Competition Undertaking**"). Each of the Controlling Shareholders has undertaken under the Non-Competition Undertaking that he or it shall provide to the Company from time to time with all information necessary for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Non-Competition Undertaking by the Controlling Shareholders and the enforcement of the Non-Competition Undertaking. Details of the Non-Competition Undertakings have been disclosed in the section headed "Relationship with Our Group of Controlling Shareholders" of the Prospectus.

Each of the Controlling Shareholders has confirmed his or its compliance with the terms of the Non-Competition Undertaking and the independent non-executive Directors were not aware of any non-compliance of the Non-Competition Undertaking given by the Controlling Shareholders during the year ended 31 December 2017 and up to the date of the annual report.

25. MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Reporting Period.

26. EMOLUMENT AND REMUNERATION POLICY

The Company has a remuneration committee 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 of the Directors and senior management and comparable market practices.

27. REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in note 9 to the consolidated financial statements.

No director has waived or has agreed to waive any emolument during the Reporting Period.

28. EVENTS AFTER THE REPORTING PERIOD

The Group does not have material events after the end of the Reporting Period.

29. CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 22 to 30.

30. INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, Octal Capital Limited (the "**Compliance Adviser**"), save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 13 November 2016, none of the Compliance Adviser or its directors, employees or close 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.

31. SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report.

32. AUDITORS

The consolidated financial statements for the year ended 31 December 2017 have been audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Mr. Lam Pak Ling
Chairman of the Board, Executive Director and Chief Executive Officer

Hong Kong, 22 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The corporate governance practices of the Group are based on the principles and the code provisions in the Corporate Governance Code (the "**Code**") as set out in Appendix 15 to the Rules ("**GEM Listing Rules**") Governing the Listing of Securities on GEM of the Stock Exchange.

During the year ended 31 December 2017, the Company has complied with all the applicable code provisions of the Code, except for the deviation from code provision A.2.1 as described below.

Mr. Lam is the chairman of the Board and the chief executive officer of the Company and has been managing the Group's business and supervising the overall operations and management of the Group since 1990. The Directors consider that vesting the roles of the chairman of our Board and the chief executive officer of the Company in Mr. Lam is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. The Directors will review the corporate governance policies and compliance with the CG Code each financial period and comply with the "comply or explain" principle in the corporate governance report which will be included in the annual report for the year ended 31 December 2017.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There was a deviation from Code provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Lam is the chairman and the chief executive officer and has been managing the Group's business and supervising the overall operations and management of the Group since 1990. The Directors consider that vesting the roles of the chairman of our Board and the chief executive officer of the Company in Mr. Lam is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

In accordance with article 84 of the Articles, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years.

In accordance with article 83(3) of the Articles, any director appointed by the Board either to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Pursuant to articles 83(3) and article 84 of the Articles, Mr. Lam Pak Ling, Mr. Cai Weiming, Mr. Wong Tsz Chun, Jacky, Mr. Choi Chung Yin and Mr. Mak Kwok Kei will retire from office as Directors at the forthcoming AGM, and being eligible, will offer themselves for re-election.

Each of Mr. Lam Pak Ling, Mr. Cai Weiming and Mr. Wong Tsz Chun, Jacky, being all executive Directors, has entered into a service agreement with the Company for an initial term of three years commencing from the 24 June 2017 and continuing thereafter until terminated by either party by giving not less than one months prior written notice.

Mr. Choi Chung Yin, being a non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 24 June 2017 which may be terminated by either party by giving not less than one month's prior written notice.

Each of Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Mr. Ho Kin Wai, being all independent non-executive Directors, has entered into a service agreement with the Company for a term of three years commencing from 24 June 2017 which may be terminated by either party by giving not less than one month's prior written notice.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group 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. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors during the year ended 31 December 2017.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2017 and as at the date of this report are as follows:

Executive Directors:
Mr. Lam Pak Ling
Mr. Cai Weiming
Mr. Wong, Tsz Chun, Jacky

Non-executive Director:
Mr. Choi, Chung Yin

Independent Non-executive Directors:
Mr. Mak Kwok Kei (appointed on 24 June 2017)
Ms. Lam Kit Yan (appointed on 24 June 2017)
Mr. Ho Kin Wai (appointed on 24 June 2017)

The brief biographic details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 10 to 14 of the annual report.

The Company has complied with the requirements under Rule 5.05(1) and (2), and 5.05A of the GEM Listing Rules during the year ended 31 December 2017. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 5.09 of the GEM Listing Rules.

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the Shareholders as a whole while taking into account the interests of other stakeholders. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

The Board is also delegated with the corporate governance functions under code provision D.3.1 of the Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

BOARD MEETINGS AND PROCEDURES

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 of the Code, at least 14 days' notice has been given for a regular Board meeting to all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments before the final version of which are endorsed in the subsequent Board meeting.

Details of the attendance of the Board meetings, audit committee (the "**Audit Committee**") meetings, remuneration committee (the "**Remuneration Committee**") meetings and nomination committee (the "**Nomination Committee**") meetings and general meetings of the Company held during the year ended 31 December 2017 are summarized as follows:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Executive Directors					
Mr. Lam Pak Ling	6/6	*2/2	1/1	–	–
Mr. Cai Weiming	6/6	N/A	N/A	–	–
Mr. Wong Tsz Chun, Jacky	6/6	N/A	N/A	–	–
Non-executive Director					
Mr. Choi Chung Yin	6/6	*2/2	N/A	–	–
Independent Non-executive Directors					
Mr. Mak Kwok Kei	6/6	2/2	1/1	–	–
Ms. Lam Kit Yan	6/6	2/2	N/A	–	–
Mr. Ho Kin Wai	6/6	2/2	1/1	–	–

* Non-member of the committee at the relevant time but attended the meeting by invitation.

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the respective websites of the Stock Exchange and the Company.

The table below sets out the membership information of these committees on which each Board member serves.

Director/Board Committee	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Lam Pak Ling		Member	Chairman
Mr. Cai Weiming			
Mr. Wong Tsz Chun, Jacky			
Mr. Choi Chung Yin			
Mr. Mak Kwok Kei	Member	Member	Member
Mr. Ho Kin Wai	Member	Chairman	Member
Ms. Lam Kit Yan	Chairman		

AUDIT COMMITTEE

The Company established the Audit Committee on 24 June 2017 with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises the three independent non-executive Directors, namely Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Mr. Ho Kin Wai. Ms. Lam Kit Yan currently serves as the chairman of the Audit Committee. The duties of the Audit Committee include reviewing, in draft form, the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard, members of the Audit Committee will liaise with the Board, the senior management, and auditors. The Audit Committee will also consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff, compliance officers or auditors. Members of the Audit Committee are also responsible for reviewing our Group's financial reporting process and internal control and risk management systems.

From the date of the Listing to the date of this report, the Audit Committee had reviewed the interim results (and interim report) of the Group for the six months ended 30 June 2017 and the third quarterly results (and related quarterly report) of the Group for the nine months ended 30 September 2017. The Group's final results for the year ended 31 December 2017 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee is of the view that the annual results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 24 June 2017 which comprises one executive Director and two independent non-executive Directors, namely Mr. Lam, Mr. Mak Kwok Kei and Mr. Ho Kin Wai. Mr. Ho Kin Wai currently serves as the chairman of the Remuneration Committee. The Remuneration Committee is mainly responsible for making recommendations to the Board on appointment of the Directors and succession planning for the Directors.

The majority of the members of the Remuneration Committee are independent non-executive Directors. The remuneration of the Directors was determined with reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group. The Remuneration Committee makes recommendations to the Board on remuneration packages of individual executive Directors and the members of senior management.

The Remuneration Committee held one meeting during the year ended 31 December 2017 to review the remuneration packages and performance bonus of the Directors and the senior management.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 24 June 2017 which comprises one executive Director and two independent non-executive Directors, namely Mr. Lam, Mr. Mak Kwok Kei and Mr. Ho Kin Wai. Mr. Lam currently serves as the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of the Directors and succession planning for the Directors. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors, review the qualifications of the Directors, the progress on the implementation of the board diversity policy and other related matters of the Company.

The majority of the members of the Nomination Committee are independent non-executive Directors.

The members of the Nomination Committee should meet at least once a year. Due to the fact that the Company was listed on the Stock Exchange on 18 July 2017, the Nomination Committee had not held any meeting during the Reporting Period.

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

(1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

(2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Directors had attended training sessions on obligations, duties and responsibilities of directors conducted by the Company's then Hong Kong legal advisers.

The Company will from time to time provide briefings to all Directors to refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the trainings received by each of the Directors (including directors' induction training) up to 31 December 2017 are summarised as follows:

Name of Directors	Type of trainings
Mr. Lam Pak Ling	A, B
Mr. Cai Weiming	A, B
Mr. Wong Tsz Chun, Jacky	A, B
Mr. Choi Chung Yin	A, B
Mr. Mak Kwok Kei	A, B
Ms. Lam Kit Yan	A, B
Mr. Ho Kin Wai	A, B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities of the Company and its subsidiaries in respect of any legal actions taken against the Directors and officers of the Company and its subsidiaries arising out of corporate activities.

COMPANY SECRETARY

Mr. Tam Yiu Shing, Billy, an associate member of the Hong Kong Institution of Certified Public Accountants, was appointed as the company secretary of the Company since March 2017.

All Directors have access to the advice and services of the company secretary. The company secretary reports to the Chairman on board governance matters, and is responsible for ensuring that board procedures are followed, and for facilitating communications among Directors as well as with shareholders of the Company (the "**Shareholders**") and management. During the year ended 31 December 2017, the company secretary has taken no less than 15 hours of relevant professional training.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements of the Group for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditor of the Company about its responsibilities for the financial statements is set out in the independent auditor's report contained in the annual report. The Directors adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged Deloitte Touche Tohmatsu as its principal auditor for the year ended 31 December 2017. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the principal auditor. During the year ended 31 December 2017, the fee payable to Deloitte Touche Tohmatsu in respect of its statutory audit services provided to the Group was HK$1,200,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage it risks across business operations.

The Group has established a risk management framework, which consists of the Board of Directors, the Audit Committee and the Risk Management Taskforce. The Board of Directors determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board of Directors and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board of Directors on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board of Directors at least once a year. The Board of Directors had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board of Directors in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board of Directors considers the Group's risk management and internal control systems are effective.

The risk management and internal control systems are 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.

Principal Risks

During the year ended 31 December 2017, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks.

Risk Areas	Principal Risks
Strategic Risks	No material risks identified
Operational Risks	No material risks identified
Financial Risks	No material risks identified
Compliance Risks	No material risks identified

PROCEDURE AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

THE SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 58 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to keep Shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the Shareholders through financial reports and announcements. The Company has established its own corporate website (www.lapco.com.hk) as a channel to facilitate effective communication with its Shareholders and the public. The Company will continue to enhance communications and relationships with its Shareholders and investors. A shareholders communication policy was adopted on 18 July 2017 to comply with code provision E.1.4 of the Code.

Shareholders, investors and interested parties can make enquiries directly to the Company through the following e-mail: info@lapco.com.hk.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Lapco Holdings Limited

Address:	Unit No. 301A, 3/F., Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong
Tel:	(852) 2758-8999
Fax:	(852) 2758-8666
E-mail:	info@lapco.com.hk

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant committees of the Board, where appropriate, to answer the Shareholders' questions.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to article 113 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the office of the branch share registrar and transfer office of the Company in Hong Kong no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for Shareholders to propose a person for election as a Director is posted on the website of the Company.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

The amended and restated articles of association of the Company were conditionally adopted on 24 June 2017 with effect from the Listing Date (i.e. 18 July 2017).

Save as disclosed above, there had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Lapco Holdings Limited ("**Lapco**", the "**Company**", "**We**", or "**Our**") presents this Environmental, Social and Governance ("**ESG**") Report for the year ended 31 December 2017 (the "**Reporting Period**" or "**FY17**"), in accordance with Appendix 20 – Environmental, Social and Governance ("**ESG**") Reporting Guide of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**").

This report covers the Company's principal businesses in cleaning and pest management services in Hong Kong.

The Board of Directors of the Company has the overall responsibility for the Company's ESG strategy and reporting. Our management is responsible for monitoring and managing ESG-related issues and risks and the effectiveness of the ESG management systems. The management personnel leading our various business activities, in conjunction with their respective staff, have for the purposes of this report identified the following material ESG issues:

SUMMARY OF MATERIAL ESG ISSUES FOR THE COMPANY

A. Environmental

A1 Emissions
Air Emissions and Carbon Footprint
Waste Management

A2 Use of Resources
Efficient Use of Resources
- Advanced Technologies
- Regular Maintenance
- Green Practice
- Employee Education and Engagement

A3 The Environment and Natural Resources
Policies on Environmental and Natural Resources

B. Social

B1 Employment
Human Resource Policies

B2 Health and Safety
Workplace and Occupational Health and Safety

B3 Development and Training
Employee Development and Training

B4 Labour Standards
Anti-child and Forced Labour

B5 Supply Chain Management
Sustainable Procurement

B6 Product Responsibility
Service Quality Assurance Policy
Data Privacy Policy

B7 Anti-Corruption
Anti-corruption and Anti-fraud

B8 Community Investment
Supporting the Community

A. Environmental

Aspect A1: Emissions

Lapco is committed to strategically incorporating green elements into our business model and operations with a clear aim of conducting our businesses in the most environmental-friendly manner.

As a service company in the cleaning and pest management businesses, our services often rely on our large vehicle fleet and machineries for business operations. Owing to such nature, we are highly committed to controlling the air and greenhouse gas emissions and waste generation arising from our business operations. We also strictly comply with relevant environmental laws and regulations.

During the Reporting Period, we have not identified any material cases of non-compliance on environmental laws and regulations.

Air Emission and Carbon Footprint

Mobile vehicles are our major source of air emission. Hence we have taken a step to integrate vehicle emissions reduction in our sustainable business practice. One of the measures to reduce the environmental impact of vehicles is selection of green vehicles. Environmental performance of vehicles is one of the critical factors in our selection of vehicles. We prefer the vehicles with higher fuel efficiency and fewer pollutants and enhance the fuel consumption efficiency of the vehicles through regular maintenance and repair services performed by qualified personnel.

In FY17, over 80% of Lapco's vehicles were Euro V standard vehicles and we have been increasing the use of environmental-friendly models. Adoption of Euro V vehicles could bring striking environmental benefits, notably an 80% reduction of sulphur dioxide from motor vehicles[1]. All of our Euro V standard vehicles below 2.5 tonnes consume Euro V petroleum, which could reduce motor vehicle emissions of carbon monoxide, nitrogen oxides and hydrocarbons by approximately 10%[1]. All of our Euro V standard vehicles above 2.5 tonnes consume Euro V diesel, which is effective in reducing respiratory suspended particulates by 5%[1]. In FY17, 28,952.67 kg of Nitrogen Oxides (NO_x)[2], 55.58 kg of Sulphur Oxides (SO_X)[3], and 2,288.04 kg of Particulate Matter (PM)[2] were generated from the use of vehicles and we would keep our effort in lowering the vehicle emissions arising from our services rendered.

Likewise, the use of clean and formulated fuel in vehicles is effective in slowing atmospheric build-up of carbon dioxide, which halts global warming. During the Reporting period, the total carbon dioxide equivalent (CO_2e) emissions was approximately 9,156,819.65 kg[4]. Apart from the fuel combustion of vehicles, another major source of greenhouse gases is electricity consumption. Details of our continued initiatives in reducing our carbon footprint are covered in A2 Efficient Use of Resources.

1 The figures in reference to the reduction in the amount of Sulphur Dioxide, Carbon Monoxide, Nitrogen Oxides and Hydrocarbons are taken in reference to the data obtained from Hong Kong's Environment Protection Department – Advisory Council on the Environment, ACE paper 17/2009 'Introduction of Euro V Standard for Motor Vehicle Fuel'.

2 The emission of Nitrogen Oxide and Particulate Matter is calculated by using the emission factors, and the distance travelled by the vehicle fleet which was estimated based on the fuel consumption ratio of the vehicle fleet. The emission factor was based on the information from Stock Exchange of Hong Kong Limited's "Reporting Guidance on Environmental KPIs".

3 The emission of Sulphur Oxide is calculated by using the emission factors, and the units of fuel consumed by the vehicle fleet, which was estimated based on the total amount of purchased fuel for the vehicle fleet. The emission factor was based on the information from Stock Exchange of Hong Kong Limited's "Reporting Guidance on Environmental KPIs".

4 The emission of Carbon Dioxide Equivalent emissions consist of Carbon Dioxide, Methane, Nitrous Oxide and CLP Electricity Emissions calculations. Such calculations are based on the EPD's "Guidelines to Account for and Report Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, and the "Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong" published by the University of Hong Kong and City University of Hong Kong, and the Greenhouse Gas Protocol. The CLP electricity emissions factor is based on the figures published in CLP 2016 Sustainability Report.

Waste Management

We are constantly monitoring our waste generation and the methods in handling and disposal of waste. We aim to reduce adverse consequences on the environment and the public through our waste management policies. We currently apply the principle of waste hierarchy which we prefer to prevent and reuse waste than disposing them.

This principle is incorporated into our daily operational procedures. For instance, bulk purchasing for cleaners and disinfectants has been adopted to reduce the number of containers to be disposed of. We also continuously optimise recycling processes and increasing recycling rates to implement our green practices.

We strive to minimize the usage of common office consumables, such as paper and plastic water bottles. We promote the use of electronic communication and encourage employees to reduce, reuse, and recycle waste paper. In addition, the used plastic water bottles would be collected and returned to vendors for re-use. Responsible supervisors are also assigned to regularly review environmental performances for our operations. In FY17, no material hazardous waste was produced. 7,770 kg of paper was used and 595 kg plastic water bottles were collected and returned to vendors.

Aspect A2: Use of Resources

Efficient Use of Resources

Our major sources of resource consumption are the fuel consumed by the vehicles for cleaning services and electricity used for lighting, air-conditioning, and daily office utilities for office operation. The following table summarizes our resource consumption during the Reporting Period:

Resource	Consumption	Intensity[5]	
Electricity	2,886 kWh	0.48	kWh/ft^2
Petroleum	12,926.73 L	137.52	L/project
Diesel	3,440,378.20 L	36,599.77	L/project

Note: Owing to our business nature, no packaging materials were used and the related disclosure was not applicable.

Owing to our operation model and terms of contracts with clients, our electricity and water for the cleaning services are directly provided and controlled by the clients and the amount of usage highly depends on external environmental factors such as cleanliness of the street areas and specific demand from clients. Hence, the Company is in a passive position to measure and control electricity and water usage for our services. However, we still endeavour to improve efficiency of resource usage in all aspects of our operations by introducing advanced technologies, regular maintenance of machinery and tools, adopting green practices in office as well as employee education and engagement. These are covered in detail below.

i. Advanced Technologies

Advanced technologies are introduced to reduce the use of resources. One of the measures is the adoption of Euro V vehicles to replace our old fleet of cars. Such replacement could significantly reduce fuel consumption for each kilometre travelled. In our office premises, we have adopted green technology by redirecting our preference in energy products, including the use of fluorescent bulbs, LED lamps, as well as using electric appliances that consume less energy.

5 The calculation of intensity was based on the total office floor areas and the number of service projects which were 6,030 ft^2 and 94 projects respectively during the Reporting Period.

ii. Regular Maintenance

Other than adopting the use of high quality vehicles and machinery for our business operations, we also promote the efficient use of resources through regular maintenance of machinery and tools. The annual inspection on our assets is used to make sure that they are up to standards, to prevent reduction in fuel efficiency, increase durability of our assets, and hence promote efficient use of resources for the Company.

iii. Green Practice

Shortage of natural resources is a global area of concern. We work to establish a more sustainable business by focusing on our resource conservation and water stewardship efforts where we can have the greatest impact. We have developed several energy-saving principles and green practice in our workplace. Examples of such green practice include switching off office equipment, lighting and air-conditioning when not in use, as well as helping to manage water resources coming from our clients. In addition, we actively support the "Energy Saving Charter on Indoor Temperature" established by the Government of Hong Kong Special Administrative Region so as to combat climate change. We attempt to maintain the average indoor temperature of our office workspace between 24 and 26°C during the summer time. Furthermore, we would constantly monitor the electricity consumption from our office operations, and evaluate the existing action plans on environmental protection in order to demonstrate our long-term support on green practice.

iv. Employee Education and Engagement

We provide regular training to our employees to raise or maintain their awareness on energy and water conservation. Relevant environmental awareness messages such as tips for saving electricity, fuel and water are also communicated to all levels of staffs via emails and posters. We hope the involvement of our employees into energy and water saving practices could assist in alerting them the importance of resource conservation and if possible in enhancing our energy efficiency methods.

Aspect A3: The Environment and Natural Resources

Policies on Environment and Natural Resources

We are fully committed to minimizing environmental impacts associated with our business activities, and strive to uphold our environmental performance standards through the establishment of an Environmental Management System ("**EMS**"). We currently possess the certification for ISO 14001:2015, an accreditation in the EMS in the provision of cleaning, pest control and waste management services. The ISO 14001 has strengthened our company-wide focus on continuous improvement and enabled a common vision in managing environmental processes across the Company. The EMS also includes an incident management mechanism to deal with all incidents arising from our operations which will bring adverse impact to the environment. An incident response team has been established to be responsible for incident handling processes such as incident detection and recording, investigation and analysis, resolution and incident closure. The EMS is reviewed each year and the environmental performance of our operations is evaluated.

B. Social

Aspect B1: Employment

Human Resource Policies

The Company believes that people are the most valuable assets for supporting its business growth. We aim to create a harmonious working environment with cooperation and respect in order to enhance our staff's sense of belonging and retain talents.

We have developed the Human Resources Policy to govern compensation, dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare, in accordance with relevant laws and regulations.

We offer our employees with an attractive remuneration package in order to retain talents. Remuneration is based on the four key principles: fairness, ability, competitiveness and timeliness. The level of compensation of the Company's employees is established according to their abilities and reviewed annually based on their performance and the market conditions. The remuneration package also includes a range of benefits to all employees such as mandatory provident fund, life insurance, medical insurance, annual leave, overtime leave, wedding leave, and maternity leave.

We recognise that maintenance of appropriate work-life balance can assist in reducing the working pressure of employees and enhancing the overall productivity. The Company's policy stipulates that the number of working hours for full-time employees is eight. Social activities such as annual dinner and Christmas and Chinese New Year gatherings are provided to our employees.

Employee satisfaction is one of our key concerns and we have put continuous effort to maintain or enhance their morale. Employee surveys are regularly conducted to understand the views of the employees on the Company or the working environment. The management will review the result of the survey and implement improvement measures if necessary.

We respect the diversity of employees by promoting gender equality and equal opportunity in the workplace. Discrimination including treating anyone less favourably due to their personal characteristics, such as race, gender, religion, age, disability, nationality and family status, is strictly prohibited. As an equal opportunity employer, we emphasize fairness, openness and objectivity and have incorporated these principles into our human resources management practices. Opportunities of recruitment, promotion and training programs would be given to employees based on the pre-defined criteria and systematic assessment conducted by a group of assessors.

During the Reporting Period, we have not identified any material cases of non-compliance on employment laws and regulations.

Aspect B2: Health and Safety

Workplace and Occupational Health and Safety

Occupational health and safety is of top priority for our operation. Our workplace safety is certified in accordance with the internationally recognized OHSAS 18001, the Occupational Health and Safety Assessment Series, that ensures an effective workplace safety management system.

Lapco has established the Safety Manual for providing instructions to employees on work safety. In addition, we have implemented a set of workplace safety measures to protect our employees. Employees are required to receive training on how to use relevant machines and tools and must be well equipped before they provide services to our clients. Supervisors are assigned to take the responsibility of overseeing the operations and make immediate responses and notify the management if any hazards in the workplace are noted. Other activities such as periodic safety training and fire and evacuation drills are conducted in order to maintain and raise our employees' safety awareness and knowledge in safety. Employees are also encouraged to give opinions on safety procedures to the management.

Furthermore, we conduct periodic risk assessment in order to timely identify, evaluate and mitigate any new risks from workplace and to ultimately provide our employees with a healthy and safe working environment.

During the Reporting Period, we have not identified any material cases of non-compliance on health and safety related laws and regulations.

Aspect B3: Development and Training

Employee Development and Training

To accomplish the corporate objectives as well as personal development of employees, Lapco encourages and supports our employees in continuous personal and professional training. We have incorporated employee development one of the key components of our business development plan. Various training programs are provided by the Company, such as in-house training programs, seminars, workshops, conferences, peer learning, sharing sessions, and on-job training. One of our important programmes is the Pest Control Training, which aims to enhance the knowledge of employees on technical skills of pest control and occupational safety and is conducted by professional consultants specialized in areas such as laws and regulations, hazardous materials handling and first aid procedures. Apart from the in-house training provided to them, we encourage employees to attend external training programmes to further improve their knowledge and share it with other employees afterwards.

Aspect B4: Labour Standards

Anti-Child and Forced Labour

We strictly comply with relevant labour laws and regulations and prohibit the employment of child and forced labour of any kind in our operations and services. All employees are encouraged to report to the Company at any time for any suspected non-compliance incidents such as employment of child and forced labour during the course of our recruitment and operation.

During the Reporting Period, we have not identified any material cases of non-compliance on child and forced labour laws and regulations.

Aspect B5: Supply Chain Management

Sustainable Procurement

We closely monitor the supply chain and have implemented a sustainable procurement practice to minimize the adverse impact on the environment and maintain cost effectiveness. During the selection process of new suppliers, authorized management would evaluate and select the suppliers based on the Company's pre-set criteria including the quality and durability of the products, service quality, price competitiveness, and sustainability efforts made by our suppliers. Examples of sustainability efforts include production methodology, waste management methods, choice of raw materials and labour practices.

We maintain an open and fair relationship with our suppliers. Tendering procedures are conducted during the selection process of major suppliers and the tendering process is closely monitored at all times to ensure the process conforms to our principles of fairness and transparency.

The Company has devised a mechanism to evaluate the performance of existing suppliers and conducted such evaluation periodically. A grade is assigned to each supplier during the evaluation to indicate its recent performance. The management will handle cases of unsatisfactory performance in accordance with established policies and procedures (e.g. issue of warnings or suspension for a specified period from invitation to bid) and will remove the suppliers with persistent adverse performance from the approved list or suspend them permanently from bidding as appropriate with proper approval.

Aspect B6: Product Responsibility

Service Quality Assurance Policy

We are devoted to high quality of services and are certified with ISO 9001:2015 for our provision of cleaning, pest control and waste management services. We have invested in the areas of human resources, information management, infrastructure and equipment, professional skills and techniques in order to maintain a high quality service. Management support in investment of resources and their active participation in daily operations of business also contribute to the maintenance and enhancement of service quality.

Customers are welcome to provide comments on our services. If customer has a complaint, a dedicated customer service team is responsible for handling the complaint. The complaint will be investigated by various management personnel. All complaint cases will be reported to senior management for review and approval. Remedial measures will be implemented to reduce the chance of re-occurrence of the same kind of compliant in the future.

Data Privacy Policy

We value the confidentiality of personal data and are committed to protecting customer information with care. Therefore, we have implemented the appropriate data protection measures in order to comply with the Personal Data (Privacy) Ordinance.

Data Protection Principles from the Ordinance are applied to our business operations. Specifically, Lapco would only be collecting personal data from clients that we believe are relevant and required in our business operations. The personal data would only be used for the purpose of which the data was being collected for, or for a directly related purpose. Our personnel would always seek for consent for the use of data in the event that the data is to be used for new purposes. In line with our Standards and Code of Ethics, disclosure or transfer of personal data to any entity that is not a member of the Company without consent is strictly prohibited unless required by law, or was previously notified. The Company has appropriate security controls in place and has designed measures for prevention of any unauthorized access to personal data. Only designated personnel will be granted the access rights to personal data.

During the Reporting Period, we have not identified any material cases of non-compliance on service quality and data privacy related laws and regulations.

Aspect B7: Anti-corruption

Anti-corruption and Anti-fraud

The Company does not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of our business operations. Employees must comply with all local laws and regulations when conducting their duties, and also those in other jurisdictions when conducting business there.

We have established the Code of Conduct and Employee Handbook which stipulates the proper work ethics and practices for employees' reference. Employees are required to declare potential conflicts under their job responsibilities. A whistle-blowing mechanism is established as a private and confidential communication channel for employees and external parties if they suspect any potential or actual irregularities and conflicts. Any reported cases will be investigated and the results will be reported to the senior management of the Company directly.

Internal controls are also in place to mitigate risk on fraudulent activities and the effectiveness of internal controls are regularly assessed.

During the Reporting Period, we have not identified any material cases of non-compliance on corruption-related laws and regulations.

Aspect B8: Community Investment

Supporting the Community

As a responsible company, we aim at serving and strengthening the wider community, and encourage employees and other stakeholders in supporting the community. Therefore, we are engaged in various community activities such as public fundraising, donations, sponsorships and volunteering services. We have planned to collaborate with non-profit organizations and play a part in hosting community events. For example, we would like to provide support for charitable organizations such as Oasis in the upcoming agenda as community involvement of the Company. We also encourage our employees to actively participate in volunteer events to raise their awareness. Given our long-term involvement, Lapco has been accredited for the Caring Company award from the Hong Kong Council of Social Services for consecutively ten years since 2007 and the award highlights our commitment to caring for the community, our employees, and the environment which are the award qualification criteria.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF LAPCO HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Lapco Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 43 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of trade receivables from non-government customers	
We identified the estimated impairment of trade receivables from non-government customers as a key audit matter due to the use of significant estimates by management in assessing the impairment of trade receivables from non-government customers. As disclosed in note 5 to the consolidated financial statements, the carrying amount of trade receivables from non-government customers as at 31 December 2017 is HK$7,360,000. In determining the allowance for bad and doubtful debts, management considers the debtor's payment history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivables. No impairment loss on trade receivables from non-government customers was recognised during the year ended 31 December 2017.	Our procedures in relation to estimated impairment of trade receivables from non-government customers included: • Obtaining an understanding of how management assesses the impairment of trade receivables from non-government customers, and management's process in credit assessment for non-government customers and other monitoring procedures for recovering overdue debts; • Assessing the reasonableness of allowance for bad and doubtful debts with reference to the debtor's payment history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivables from non-government customers ; • Testing the accuracy of the ageing analysis of the trade receivables from non-government customers , on a sample basis, against sales invoices; and • Testing a selection of subsequent settlements, on a sample basis, against bank statements and bank advices.

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 auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lui Chi Wang.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Revenue	6	**448,021**	404,124
Cost of services		**(418,842)**	(363,930)
Gross profit		**29,179**	40,194
Other income	7	**953**	645
Other gains and losses	7	**440**	(285)
Administrative expenses		**(24,142)**	(17,667)
Listing expenses		**(9,749)**	(6,880)
Finance costs	8	**(5,128)**	(3,555)
(Loss) profit before taxation	10	**(8,447)**	12,452
Income tax credit (expense)	11	**208**	(3,663)
(Loss) profit and total comprehensive (expense) income for the year attributable to the owners of the Company		**(8,239)**	8,789
(Loss) earnings per share			
– Basic *(HK cents)*	13	**(2.31)**	2.75

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	As at 31 December 2017 HK$'000	2016 HK$'000
Non-current assets			
Plant and equipment	14	**97,156**	44,843
Deposits and prepayments	16	**19,112**	8,901
Deposits for acquisition of plant and equipment		**495**	–
		116,763	53,744
Current assets			
Trade receivables	15	**119,889**	72,545
Other receivables, deposits and prepayments	16	**24,148**	9,461
Amount due from a controlling shareholder	17	**–**	2,361
Tax recoverable		**2,132**	–
Pledged bank balances	18	**9,080**	9,080
Bank balances and cash	18	**21,470**	4,624
		176,719	98,071
Current liabilities			
Trade payables	19	**5,816**	3,148
Other payables and accrued charges	20	**40,680**	24,027
Provisions	21	**4,190**	3,456
Tax payable		**–**	1,826
Amount due to a related party	17	**13**	11
Bank borrowings	22	**98,788**	48,783
Obligations under finance leases	24	**23,511**	11,258
		172,998	92,509
Net current assets		**3,721**	5,562
Total assets less current liabilities		**120,484**	59,306
Non-current liabilities			
Provisions	21	**2,020**	1,748
Deferred tax liabilities	23	**2,960**	3,590
Obligations under finance leases	24	**53,318**	18,905
		58,298	24,243
Net assets		**62,186**	35,063

Consolidated Statement of Financial Position

At 31 December 2017

	Note	As at 31 December **2017** ***HK$'000***	2016 *HK$'000*
Capital and reserves			
Issued share capital	25	**4,000**	8
Reserves		**58,186**	35,055
Equity attributable to the owners of the Company		**62,186**	35,063

The consolidated financial statements on pages 43 to 97 were approved and authorised for issue by the Board of Directors on 22 March 2018 and are signed on its behalf by:

Lam Pak Ling
DIRECTOR

Wong Tsz Chun, Jacky
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Issued share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (note 1)	Accumulated profits HK$'000	Total HK$'000
At 1 January 2016	10,200	–	–	16,074	26,274
Profit and total comprehensive income for the year	–	–	–	8,789	8,789
Effect of reorganisation	(10,192)	–	10,192	–	–
At 31 December 2016	8	–	10,192	24,863	35,063
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(8,239)**	**(8,239)**
Effect of reorganisation	**(8)**	**–**	**8**	**–**	**–**
Issue of new shares	**800**	**39,200**	**–**	**–**	**40,000**
Capitalisation issue *(note 2)*	**3,200**	**(3,200)**	**–**	**–**	**–**
Transaction costs attributable to issue of new shares	**–**	**(4,638)**	**–**	**–**	**(4,638)**
At 31 December 2017	**4,000**	**31,362**	**10,200**	**16,624**	**62,186**

Notes:

(1) Other reserve represented the difference between the share capital of Lapco Service Limited ("**Lapco Service**"), Shiny Glory Services Limited ("**Shiny Glory**") and Shiny Hope Limited ("**Shiny Hope**") and that of Sharp Idea Global Limited ("**Sharp Idea**") issued pursuant to a group reorganisation as stated in note 2(iii).

(2) Pursuant to the written resolution passed by the shareholders on 24 June 2017, a sum of approximately HK$3,200,000 standing to the credit of the share premium account of the Company was capitalised by paying up in full at par at total of 319,999,680 shares of the Company for allotment and issue to the persons whose name appeared on register of members of the Company at the close of business on 24 June 2017.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Year ended 31 December 2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(8,447)**	12,452
Adjustments for:		
Depreciation of plant and equipment	**23,488**	13,703
Interest income	**(618)**	(458)
Gain on disposal/written off of plant and equipment, net	**(263)**	(286)
Finance costs	**5,128**	3,555
Operating cash flows before movements in working capital	**19,288**	28,966
(Increase) decrease in trade receivables	**(47,344)**	13,452
Increase in other receivables, deposits and prepayments	**(17,618)**	(9,376)
Increase (decrease) in trade payables	**2,668**	(723)
Increase (decrease) in other payables and accrued charges	**16,653**	(1,608)
Increase (decrease) in amount due to a related party	**2**	(69)
Increase (decrease) in provisions	**1,006**	(1,289)
Increase (decrease) in factoring trade receivables with recourse	**52,230**	(23,808)
Cash generated from operations	**26,885**	5,545
Income tax paid	**(4,380)**	(3,941)
NET CASH FROM OPERATING ACTIVITIES	**22,505**	1,604
INVESTING ACTIVITIES		
Interest received	**98**	210
Deposits paid for acquisition of plant and equipment	**(495)**	–
Purchases of plant and equipment	**(4,788)**	(5,782)
Proceeds from disposal of plant and equipment	**441**	420
Placement of pledged bank balances	**(9,080)**	–
Withdrawal of pledged bank balances	**9,080**	200
Repayment from a controlling shareholder	**6,273**	10,799
Advance to a controlling shareholder	**(3,912)**	(4,542)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(2,383)**	1,305

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Interest paid	**(5,128)**	(3,555)
Proceeds from issuance of shares	**40,000**	–
Transaction costs attributable to issue of shares	**(4,638)**	–
Repayment of obligations under finance leases	**(24,525)**	(12,373)
New bank borrowings raised	**7,833**	31,627
Repayment of bank borrowings	**(16,818)**	(29,370)
Advance from a controlling shareholder	**–**	11,325
Repayment to a controlling shareholder	**–**	(11,325)
NET CASH USED IN FINANCING ACTIVITIES	**(3,276)**	(13,671)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**16,846**	(10,762)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**4,624**	15,386
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**21,470**	4,624

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

Lapco Holdings Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 12 August 2016. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 July 2017 (the "**Listing**"). Its parent is Gold Cavaliers International Limited ("**Gold Cavaliers**") (incorporated in the British Virgin Islands ("**BVI**")). Its ultimate controlling parties are Mr. Lam Pak Ling ("**Mr. Lam**"), the executive director of the Company and Ms. Wong Siu Fan, Beatrice ("**Ms. Wong**"), common law spouse of Mr. Lam, (collectively referred to as the "**Controlling Shareholders**"). The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1–1111, Cayman Islands and Unit No.301A, 3/F, Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong respectively.

The Company is an investment holding company and its principal subsidiaries are engaged in provision of environmental hygiene services, including (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services.

The functional currency of the Company is Hong Kong dollar ("**HK$**"), which is the same as the presentation currency of the consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Before the completion of the reorganisation as described below, Lapco Service was owned by Prime Rich (Asia) Limited ("**Prime Rich**") which held the shares on trust for the benefit of Mr. Lam, a founder of the Group's business (the "**Lam's Family Business**"). Shiny Hope was wholly owned by Mr. Lam and Shiny Glory was wholly owned by Ms. Wong. The Controlling Shareholders owned the Lam's Family Business through their interests held in the companies comprising the Group. The Controlling Shareholders exercise their control collectively over the companies now comprising the Group.

For the purpose of the Listing, the companies comprising the Group underwent the reorganisation as described below.

(i) On 8 January 2016, Champion Success Development Limited ("**Champion Success**") was incorporated in Hong Kong and 1 share was allotted and issued to the subscriber at a subscription price of HK$1 per share. On 7 April 2016, Mr. Lam acquired one share from the subscriber at a consideration of HK$1 and on the same day, one additional share was allotted and issued to each of Mr. Lam and Ms. Wong, respectively. Immediately thereafter, Champion Success was owned as to approximately 67% by Mr. Lam and as to approximately 33% by Ms. Wong.

(ii) On 1 April 2016, Sharp Idea was incorporated in the BVI with an authorised share capital of United Stated Dollar ("**US$**") 50,000 divided into 50,000 shares of par value of US$1 each. On 8 April 2016, 1,000 shares with par value of US$1 each were allotted and issued to Champion Success.

(iii) On 15 April 2016, Prime Rich, Ms. Wong and Mr. Lam transferred their entire shareholding interests in Lapco Service, Shiny Glory and Shiny Hope, respectively to Sharp Idea, for an aggregate cash consideration of HK$3. Upon the completion of the transfer, Lapco Service, Shiny Glory and Shiny Hope became the wholly-owned subsidiaries of Sharp Idea.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2017

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iv) On 15 April 2016, Champion Success transferred 200 shares in Sharp Idea, representing 20% of the issued share capital of Sharp Idea to Magic Pioneer Limited ("**Pre-IPO Investor**"), an independent third party and a limited company incorporated in the BVI, for the consideration of HK$12,000,000. Immediately after this transfer, Sharp Idea was held as to 20% by Pre-IPO Investor and 80% by Champion Success. The Controlling Shareholders and the Pre-IPO Investor are collectively referred to as the "Ultimate Owners".

(v) On 8 August 2016, a family trust (the "**Lam Family Trust**") was established by the Controlling Shareholders with Max Super Holdings Limited acting as the trustee (the "**Trustee**"). The Lam Family Trust is a discretionary trust with the Controlling Shareholders as beneficiaries.

(vi) On 11 August 2016, Gold Cavaliers was incorporated in the BVI with an authorised share capital of US$50,000 consisting of 50,000 ordinary shares with par value of US$1 each. Upon its incorporation, 7,867 shares and 2,133 shares of US$1.00 each were allotted and issued to Champion Success and Pre-IPO Investor, respectively.

(vii) On 11 August 2016, Profound Wellness Holdings Limited ("**Profound Wellness**") was incorporated in the BVI with an authorised share capital of US$50,000 consisting of 50,000 ordinary shares with par value of US$1 each. Upon its incorporation, 2 shares and 1 share of US$1.00 each were allotted and issued to Mr. Lam and Ms. Wong, respectively.

(viii) On 12 August 2016, the Company was incorporated in the Cayman Islands with an authorised capital of HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each. Upon its incorporation, 1 nil paid new share of HK$0.01 was allotted and issued to the subscriber and was transferred to Gold Cavaliers at nominal value on the same day.

(ix) On 14 June 2017, 7,867 shares in Gold Cavaliers were transferred to the Trustee of the Lam Family Trust from Champion Success.

(x) On 14 June 2017, pursuant to the share swap agreement entered into amongst Champion Success, Pre-IPO Investor and the Company, Champion Success and Pre-IPO Investor transferred their entire equity interests in Sharp Idea to the Company. In exchange the Company will issue 299 and 20 shares to Gold Cavaliers and Profound Wellness, respectively at the direction of Champion Success and Pre-IPO Investor. Upon completion of such share swap, Sharp Idea became a wholly-owned subsidiary of the Company.

Pursuant to steps (i) to (iii) detailed above, Sharp Idea has become the intermediate holding company of Lapco Service, Shiny Glory and Shiny Hope and they are always been controlled by Controlling Shareholders before and after the reorganisation. Accordingly, the consolidated financial statements of Sharp Idea Group for the year ended 31 December 2016 have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Pursuant to steps (iv) to (x) detailed above, the Company became the holding company of the companies now comprising the Group by interspersing the Company and other investment holding companies between Sharp Idea and the Ultimate Owners since 14 June 2017. The Group comprising the Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2017 and 2016 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the years ended 31 December 2017 and 2016, or since the respective date of incorporation, which is a shorter period.

The consolidated statement of financial position of the Group 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 those dates taking into account the respective dates of incorporation, where applicable.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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 HKFRS 2014 – 2016 cycle

Except as described below, the application of the other amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 flows and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets of 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.

A reconciliation between the opening and closing balances of these items is provided in note 29. 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 29, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) – Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 9	Prepayment features with negative consideration[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle[1]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 40	Transfer of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 "Financial instruments"

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

Key requirements of HKFRS 9 which are relevant to the Group are:

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 "Financial instruments" (Continued)

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 Hong Kong Accounting Standards ("**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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

Loans and receivables carried at amortised cost are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model was to be applied by the Group, it will not have material impact on the Group's future financial statements based on the historical experience of the Group and the default rate of the outstanding balances with customers is low. It is also expected that the application of HKFRS 9 will not have other significant impact on amounts reported in respect of the Group's financial assets based on an analysis of the Group's financial instruments as at 31 December 2017.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 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.

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 anticipate that the application of HKFRS 15 will not have a significant impact on the timing and amounts of revenue recognised in the respective reporting periods but may result in more disclosures made to the consolidated financial statements based on the existing business model of the Group as at 31 December 2017.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (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 operating lease payments as operating cash flows. Upon application of 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 by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. 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 lessee 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.

As at 31 December 2017, the Group has non-cancellable operating lease commitment of HK$519,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 "Leases" (Continued)

In addition, the Group currently considers refundable deposits paid of HK$555,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the result and net assets of the Group.

Except for the above, the directors of the Company anticipate that the application of all other new and revised HKFRSs in issue but not yet effective will have no material impact on the financial statements of the Group in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the 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 on the historical cost basis at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the five elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate 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 party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain 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.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for services rendered in the normal course of business.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Plant and equipment

Plant and equipment held for use in the supply of services or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment loss on assets other than financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

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

Financial instruments

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

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

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amount due from a controlling shareholder, pledged bank balances and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

The Group's financial liabilities including trade payables, other payables and accrued charges, amount due to a related party and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("**MPF Scheme**") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Foreign currencies

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of trade receivables from non-government customers

The impairment of trade receivables from non-government customers of the Group is estimated based on the evaluation of collectability and aging analysis of individual trade debts performed by the management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables at the end of the reporting period based on objective evidence such as the debtor's payment history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivables. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Where the actual future cash flows are less than expected, a material impairment loss/further impairment loss may arise.

The carrying amount of trade receivables from non-government customers is approximately HK$7,360,000 (2016: HK$5,312,000). No impairment loss on trade receivables from non-government customers was recognised during the year ended 31 December 2017 (2016: nil).

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group to external customers. The Group's operations is solely derived from services provided in Hong Kong for both years.

Information reported to Mr. Lam, being the chairman of the Company and the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The Group's operating and reportable segments are therefore as follows:

- Cleaning services
- Pest management services
- Waste management and recycling services
- Landscaping services

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

	Cleaning services HK$'000	Pest management services HK$'000	Waste management and recycling services HK$'000	Landscaping services HK$'000	Total HK$'000
For the year ended 31 December 2017					
Segment revenue – external customers	**327,807**	**43,353**	**75,924**	**937**	**448,021**
Segment results	**17,703**	**3,684**	**7,783**	**9**	**29,179**
Other income					**953**
Other gains and losses					**440**
Administrative expenses					**(24,142)**
Listing expenses					**(9,749)**
Finance costs					**(5,128)**
Loss before taxation					**(8,447)**
For the year ended 31 December 2016					
Segment revenue – external customers	343,982	31,552	27,870	720	404,124
Segment results	31,555	3,365	5,256	18	40,194
Other income					645
Other gains and losses					(285)
Administrative expenses					(17,667)
Listing expenses					(6,880)
Finance costs					(3,555)
Profit before taxation					12,452

There was no inter-segment revenue for both years.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment results represents the results from each segment without allocation of administrative expenses, other income, other gains and losses, finance costs and listing expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The segment assets and liabilities at the end of the reporting period by operating and reportable segments are as follows:

	Cleaning services HK$'000	Pest management services HK$'000	Waste management and recycling services HK$'000	Landscaping services HK$'000	Total HK$'000
As at 31 December 2017					
Segment assets	145,321	18,345	65,512	160	229,338
Certain plant and equipment					466
Certain other receivables, deposits and prepayments					30,996
Tax recoverable					2,132
Pledged bank balances					9,080
Bank balances and cash					21,470
Total assets					293,482
Segment liabilities	36,145	8,372	4,780	103	49,400
Certain other payables and accrued charges					3,319
Bank borrowings					98,788
Obligations under finance leases					76,829
Deferred tax liabilities					2,960
Total liabilities					231,296

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	Cleaning services *HK$'000*	Pest management services *HK$'000*	Waste management and recycling services *HK$'000*	Landscaping services *HK$'000*	Total *HK$'000*
As at 31 December 2016					
Segment assets	85,525	9,115	21,901	208	116,749
Certain plant and equipment					639
Certain other receivables, deposits and prepayments					18,362
Amount due from a controlling shareholder					2,361
Pledged bank balances					9,080
Bank balances and cash					4,624
Total assets					151,815
Segment liabilities	23,937	3,190	1,554	38	28,719
Certain other payables and accrued charges					3,671
Tax payable					1,826
Bank borrowings					48,783
Obligations under finance leases					30,163
Deferred tax liabilities					3,590
Total liabilities					116,752

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

- all assets are allocated to operating and reportable segments other than certain plant and equipment, certain other receivables, deposits and prepayments, amount due from a controlling shareholder, tax recoverable, pledged bank balances and bank balances and cash.

- all liabilities are allocated to operating and reportable segments other than certain other payables and accrued charges, tax payable, bank borrowings, obligations under finance leases and deferred tax liabilities.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

	Cleaning services HK$'000	Pest management services HK$'000	Waste management and recycling services HK$'000	Landscaping services HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2017							
Additions to plant and equipment	**28,911**	**38**	**46,887**	**1**	**75,837**	**142**	**75,979**
Depreciation of plant and equipment	**11,220**	**1,844**	**10,031**	**78**	**23,173**	**315**	**23,488**
Gain on disposal/written off of plant and equipment, net	**192**	**45**	**26**	**–**	**263**	**–**	**263**
For the year ended 31 December 2016							
Additions to plant and equipment	7,055	1,995	16,461	46	25,557	85	25,642
Depreciation of plant and equipment	10,556	1,046	1,774	24	13,400	303	13,703
Gain on disposal/written off of plant and equipment, net	243	22	20	1	286	–	286

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's plant and equipment amounting to HK$97,156,000 (2016: HK$44,843,000) as at 31 December 2017 are all located in Hong Kong by physical location of assets.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue is as follows:

	Year ended 31 December 2017 HK$'000	2016 HK$'000
Customer A[1]	**341,132**	315,681
Customer B[2]	**60,054**	59,400

1 Revenue from cleaning services, waste management and recycling services and landscaping services.
2 Revenue from cleaning services and waste management and recycling services.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2017

7. OTHER INCOME/OTHER GAINS AND LOSSES

Other income

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**98**	210
Interest income from deposits in life insurance policies	**520**	248
Sundry income	**335**	187
	953	645

Other gains and losses

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Gain on disposal/written off of plant and equipment, net	**263**	286
Net foreign exchange gains (losses)	**177**	(571)
	440	(285)

8. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings	**3,152**	2,316
Obligations under finance leases	**1,976**	1,239
	5,128	3,555

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to the directors of the Company and chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by the Group, disclosed pursuant to the applicable Rules governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited and Companies Ordinance, were as follows:

	Directors' fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *HK$'000* *(note v)*	Contributions to retirement benefits scheme *HK$'000*	Total emoluments *HK$'000*
Year ended 31 December 2017					
Executive directors:					
Mr. Lam *(Chairman and chief executive) (note i)*	989	610	200	18	1,817
Mr. Cai Weiming ("**Mr. Cai**") *(note ii)*	260	235	156	18	669
Mr. Wong Tsz Chun, Jacky ("**Mr. Wong**")*(note i)*	198	140	81	16	435
Non-executive director:					
Mr. Choi Chung Yin ("**Mr. Choi**") *(note iii)*	125	–	–	–	125
Independent non-executive directors:					
Mr. Mak Kwok Kei ("**Mr. Mak**") *(note iv)*	62	–	–	–	62
Ms. Lam Kit Yan ("**Ms. Lam**") *(note iv)*	62	–	–	–	62
Mr. Ho Kin Wai ("**Mr. Ho**") *(note iv)*	62	–	–	–	62
Total	1,758	985	437	52	3,232

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Directors' fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *HK$'000* *(note v)*	Contributions to retirement benefits scheme *HK$'000*	Total emoluments *HK$'000*
Year ended 31 December 2016					
Executive directors:					
Mr. Lam *(Chairman and chief executive) (note i)*	–	1,006	200	18	1,224
Mr. Cai *(note ii)*	–	401	–	14	415
Mr. Wong *(note i)*	–	259	–	13	272
Non-executive director:					
Mr. Choi *(note iii)*	–	–	–	–	–
Total	–	1,666	200	45	1,911

Notes:

(i) Mr. Lam and Mr. Wong were appointed as executive directors of the Company on 12 August 2016.

(ii) Mr. Cai was appointed as an executive director of the Company on 31 October 2016.

(iii) Mr. Choi was appointed as a non-executive director of the Company on 12 August 2016.

(iv) Mr. Mak, Ms. Lam and Mr. Ho were appointed as independent non-executive directors of the Company on 24 June 2017.

(v) The discretionary bonus is determined with reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's and independent non-executive directors' emoluments shown above were for their services as director of the Company.

No emoluments was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the directors of the Company has waived any emoluments during both years.

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals included Mr. Lam and Mr. Cai for the years ended 31 December 2017 and 2016 whose emoluments are included in the disclosures in (a). The emoluments of the remaining three non-director employees for the years ended 31 December 2017 and 2016, respectively were as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Salaries and other benefits	**2,480**	1,714
Discretionary bonus *(note)*	**436**	200
Retirement benefit scheme contributions	**54**	44
	2,970	1,958

Note: The discretionary bonus is determined with reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

Their emoluments were within the following bands:

	Year ended 31 December	
	2017	2016
	Number of employees	*Number of employees*
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2017

10. (LOSS) PROFIT BEFORE TAXATION

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:		
Auditor's remuneration	**1,200**	584
Depreciation of plant and equipment	**23,488**	13,703
Directors' remuneration *(note 9)*	**3,232**	1,911
Other staff costs		
Salaries, bonuses and other benefits	**328,952**	309,559
Retirement benefits scheme contributions	**10,509**	8,037
Total staff costs	**342,693**	319,507
Lease payments under operating leases in respect of land and buildings entered into:		
by the Group for minimum lease payments	**1,306**	1,126
by a related party on behalf of the Group for minimum lease payments	**–**	720

11. INCOME TAX CREDIT (EXPENSE)

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
– Current tax	**(206)**	(2,934)
– Underprovision in previous years	**(216)**	–
Deferred tax credit (charge) *(note 23)*	**630**	(729)
	208	(3,663)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
(Loss) profit before taxation	**(8,447)**	12,452
Tax at Hong Kong Profits Tax rate of 16.5%	**1,394**	(2,055)
Tax effect of income not taxable for tax purpose	**45**	75
Tax effect of expenses not deductible for tax purpose	**(1,868)**	(1,343)
Underprovision in previous years	**(216)**	–
Tax effect of tax losses not recognised	**–**	(330)
Utilisation of tax losses previously not recognised	**799**	–
Others	**54**	(10)
Income tax credit (expense) for the year	**208**	(3,663)

12. DIVIDEND

No dividends were paid, declared and proposed by the Company during the year ended 31 December 2017 (2016: nil).

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2017 ***HK$'000***	2016 *HK$'000*
(Loss) earnings		
(Loss) earnings for the year attributable to the owners of the Company for the purpose of basic (loss) earnings per share	**(8,239)**	8,789

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**356,602,740**	320,000,000

The weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the reorganisation and the capitalisation issue (details as disclosed in note 25) had been effective on 1 January 2016.

No diluted (loss) earnings per share for the years was presented as there were no potential ordinary shares in issue during both years.

14. PLANT AND EQUIPMENT

	Leasehold Improvements HK$'000	Office equipment HK$'000	Site equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2016	484	540	9,721	64,349	75,094
Additions	85	–	669	24,888	25,642
Disposals/written-off	–	–	–	(951)	(951)
At 31 December 2016	569	540	10,390	88,286	99,785
Additions	–	143	224	75,612	75,979
Disposals/written-off	–	–	–	(868)	(868)
At 31 December 2017	569	683	10,614	163,030	174,896
DEPRECIATION					
At 1 January 2016	126	41	7,500	34,389	42,056
Provided for the year	195	108	725	12,675	13,703
Eliminated on disposals/written-off	–	–	–	(817)	(817)
At 31 December 2016	321	149	8,225	46,247	54,942
Provided for the year	186	128	789	22,385	23,488
Eliminated on disposals/written-off	–	–	–	(690)	(690)
At 31 December 2017	507	277	9,014	67,942	77,740
CARRYING VALUES					
At 31 December 2017	62	406	1,600	95,088	97,156
At 31 December 2016	248	391	2,165	42,039	44,843

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the lease terms
Office equipment	20%
Site equipment	20%
Motor vehicles	20%–30%

At 31 December 2017, the carrying values of motor vehicles included an amount of approximately HK$85,104,000 (2016: HK$35,789,000) in respect of the assets held under finance leases.

15. TRADE RECEIVABLES

The Group grants credit terms of 60–90 days to its customers. An ageing analysis of the trade receivables presented based on the invoice dates which approximated the respective dates on which revenue was recognised at the end of the reporting period.

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
0–30 days	**50,677**	27,412
31–60 days	**49,910**	25,674
61–90 days	**14,856**	10,122
91–180 days	**3,820**	8,400
Over 180 days	**626**	937
	119,889	72,545

Before accepting any new customer, the Group assesses the potential customer's credit quality. Approximately 96% (2016: 87%) of trade receivables as at 31 December 2017 that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past and have good credit quality.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$4,446,000 (2016: HK$9,337,000) which are past due at 31 December 2017 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivables and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 163 days (2016: 143 days) as at 31 December 2017.

15. TRADE RECEIVABLES (Continued)

Ageing analysis of trade receivables which are past due but not impaired:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
91–180 days	**3,820**	8,400
Over 180 days	**626**	937
	4,446	9,337

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The trade receivables past due but not provided for as at the end of the reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the management of the Group believe that no impairment is required.

Transfer of financial assets

The followings were the Group's trade receivables as at 31 December 2017 and 2016 that were transferred to banks by factoring trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the trade receivables and has recognised the cash received on the transfer as a secured bank borrowings (see note 22). These financial assets were carried at amortised cost in the Group's consolidated statement of financial position.

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Carrying amount of transferred assets	**107,390**	65,400
Carrying amount of associated liabilities	**(82,870)**	(30,640)
Net position	**24,520**	34,760

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Rental and utilities deposits	**768**	594
Deposits paid to suppliers	**1,318**	731
Deposits for life insurance policies *(Note i)*	**17,787**	7,685
Prepayment for life insurance policies *(Note i)*	**910**	373
Receivable from a motor vehicle supplier *(Note ii)*	**5,490**	–
Deposits paid to an insurance company *(Note iii)*	**7,271**	–
Other receivables	**3,289**	4,065
Prepayments	**6,427**	3,202
Deferred and prepaid listing expenses	**–**	1,712
Total	**43,260**	18,362
Presented as non-current assets	**19,112**	8,901
Presented as current assets	**24,148**	9,461
Total	**43,260**	18,362

Notes:

(i) In previous years, the Group has entered into three life insurance policies to insure Mr. Lam and Ms. Wong and paid single premium of US$975,120 (equivalent to approximately HK$7,606,000), in aggregate, to banks at inception. During the year ended 31 December 2017, the Group entered into another two life insurance policies with two banks to insure Mr. Lam and require to pay single premium of US$1,341,803 (equivalent to approximately HK$10,466,000), in aggregate, at inception. Under all the life insurance policies, the Group is the beneficiary and policy holder and the aggregate insured sum is US$7,688,354. The Group can, at any time, withdraw cash based on the account value of these policies ("**Account Value**") at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus any charges made in accordance with the terms and conditions of these policies. If withdrawal is made during the surrender period stated in these policies (i.e. between 1st and 15th to 18th policy year), there is a specified amount of surrender charge deducted from Account Value. The insurance companies will pay the Group a guaranteed interest rate from 3.65% to 4.40% per annum for the first to three years and a variable return per annum afterwards (with guaranteed minimum interest rate of 2% per annum) during the effective period of the policies.

At the inception date, the gross premium paid by the Group included a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the life insurance policies. The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the policy and the deposit placed is carried at amortised cost using the effective interest method.

The directors of the Company consider that the Group will not terminate the policies nor withdraw cash prior to the end of the surrender period and the expected life of the policies remained unchanged since their initial recognition. The balance of the deposits of life insurance policies is denominated in US$, being a currency other than the functional currency of the relevant group entity.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(ii) During the year ended 31 December 2017, the Group purchased certain motor vehicles from a motor vehicle supplier at an aggregate cost of HK$8,010,000 and fully settled by cash. Subsequently, the Group applied finance leases for these motor vehicles through the motor vehicle supplier with leasing companies and financial institutions. As at 31 December 2017, there is HK$5,490,000 receivable from the motor vehicle supplier in relation to the funds receivable for the finance leases. This amount was fully settled to the Group after the end of the reporting period.

(iii) During the year ended 31 December 2017, the Group placed cash deposits for an aggregate amount of HK$7,271,000 (2016: nil) to an insurance company for issuing performance guarantee of HK$18,178,000 (2016: nil) in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers for a period of 24 months. Management of the Group expects to realise the cash deposits within twelve months after the reporting period in view of the fact that the Group has successfully renewed the banking facilities and as at the date of these consolidated financial statements, the bank had issued performance guarantee of HK$18,178,000 to those customers. Accordingly, the balance is classified as current asset.

17. AMOUNT DUE FROM A CONTROLLING SHAREHOLDER/AMOUNT DUE TO A RELATED PARTY

Amount due from a controlling shareholder

Details of amount due from a controlling shareholder, which are non-trade nature, unsecured, interest-free and repayable on demands, are as follows:

Name	As at 31 December		As at 1 January	Maximum amount outstanding during the year ended 31 December	
	2017	2016	2016	**2017**	2016
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Mr. Lam	**–**	2,361	8,618	**3,287**	13,160

Amount due to a related party

Details of amount due to a related party, which are trade nature, are as follow:

Name	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Kwok Tai Cleaning Service Company Limited ("**Kwok Tai**") *(note)*	**13**	11

Note: Kwok Tai is 100% owned by brother of Mr. Lam. The credit period for purchase of goods is 60 days. The following is an ageing analysis of trading balances with the related party presented based on the invoice date at the end of the reporting period:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
0–30 days	**13**	11

18. PLEDGED BANK BALANCES/BANK BALANCES AND CASH

Pledged bank balances represents balances pledged to banks to secure the banking facilities (including the bank borrowings and performance guarantee) granted to the Group, and carried with prevailing market interest rate ranging from 0.01% to 2.50% (2016: 0.01% to 2.50%) per annum.

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate from 0.01% to 2.50% (2016: 0.01% to 2.50%) per annum.

19. TRADE PAYABLES

The credit period is 30 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
0–30 days	**2,782**	1,340
31–60 days	**1,398**	1,029
61–90 days	**1,520**	234
Over 90 days	**116**	545
	5,816	3,148

20. OTHER PAYABLES AND ACCRUED CHARGES

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Salaries payables	**37,361**	20,356
Other payables and accrued charges	**3,319**	3,671
	40,680	24,027

Notes to The Consolidated Financial Statements

For the year ended 31 December 2017

21. PROVISIONS

	Redundancy cost and annual leave *HK$'000*
At 1 January 2016	6,493
Payment during the year	(6,963)
Provided for the year	6,092
Reversal during the year	(418)
At 31 December 2016	5,204
Payment during the year	(3,017)
Provided for the year	4,023
At 31 December 2017	6,210

	As at 31 December **2017** ***HK$'000***	2016 *HK$'000*
Presented as non-current liabilities	**2,020**	1,748
Presented as current liabilities	**4,190**	3,456
	6,210	5,204

The Group provides for the probable future redundancy cost expected to be made to employees under the Hong Kong Employment Ordinance. The provision represents management's best estimate of probable future payments which have been earned by the employees from the dismissal of redundancy up to the end of the reporting period.

22. BANK BORROWINGS

	As at 31 December 2017 HK$'000	2016 HK$'000
Secured bank overdrafts	**3,478**	3,950
Secured bank borrowings:		
Term loans	**12,440**	14,193
Loans from factoring of trade receivables with full recourse	**82,870**	30,640
	98,788	48,783
Carrying amounts repayable*:		
Within one year	**90,107**	37,156
More than one year, but not exceeding two years	**2,802**	2,519
More than two years, but not more than five years	**4,256**	4,764
More than five years	**1,623**	4,344
	98,788	48,783
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	**(98,788)**	(48,783)
Amounts shown under non-current liabilities	**–**	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2017, bank borrowings of HK$1,720,000 (2016: HK$2,223,000) are unguaranteed.

The banking facilities were secured and/or guaranteed by as at 31 December 2017 and 2016:

(i) the pledged bank balances of HK$9,080,000 (2016: HK$9,080,000) as at 31 December 2017;

(ii) all life insurance policies of the Group;

(iii) project proceeds from certain service contracts of the Group;

(iv) the pledge of the Group's trade receivables with aggregate values of approximately HK$107,390,000 (2016: HK$65,400,000) as at 31 December 2017;

(v) unlimited corporate guarantee provided by certain subsidiaries of the Group as at 31 December 2017;

(vi) four properties and each property is owned by Ms. Wong, CCE Limited, a company owned by Mr. Lam, LES Limited, a company owned by Mr. Lam and CCT Limited, a company owned by Ms. Wong; and

(vii) unlimited personal guarantee provided by the Controlling Shareholders.

The pledge of properties by Ms. Wong and related companies and personal guarantee by the Controlling Shareholders were released subsequent to the end of the reporting period.

22. BANK BORROWINGS (Continued)

Other then disclosed above, the banking facilities as at 31 December 2016 were also secured and/or guaranteed by:

(i) two properties and each property is owned by CCE Limited and Source Mega Inc. Limited ("**Source Mega**"), which is owned by Ms. Wong;

(ii) unlimited corporate guarantee provided by Source Mega.

The above pledge of properties by related companies and corporate guarantee from a related company were released upon the Listing.

The bank borrowings are at floating rate which carry interest at HK$ Prime Rate plus or minus a spread.

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's bank borrowings are as follows:

	As at 31 December **2017** *HK$'000*	2016 *HK$'000*
Effective interest rate per annum:		
Floating-rate borrowings	**2.25%–5.25%**	2.25%–5.25%

23. DEFERRED TAX LIABILITIES

The following is the major deferred tax asset (liability) recognised and movements thereon during the current and prior year:

	Tax loss *HK$'000*	Accelerated tax depreciation *HK$'000*	Total *HK$'000*
At 1 January 2016	–	(2,861)	(2,861)
Charge to profit or loss *(note 11)*	–	(729)	(729)
At 31 December 2016	–	(3,590)	(3,590)
Credit (charge) to profit or loss *(note 11)*	3,733	(3,103)	630
At 31 December 2017	3,733	(6,693)	(2,960)

At 31 December 2017, the Group has unused tax loss of HK$22,627,000 (2016: HK$4,843,000) available for offset against future profits. At 31 December 2017, deferred tax asset has been recognised in respect of HK$22,627,000 (2016: nil) of such losses. No deferred tax asset has been recognised in respect of the balance of HK$4,843,000 at 31 December 2016 due to unpredictability of future profit streams. Unused tax losses may be carried forward indefinitely.

24. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current liabilities	**23,511**	11,258
Non-current liabilities	**53,318**	18,905
	76,829	30,163

The Group has leased certain of its motor vehicles under finance leases. The lease terms were ranged from three to five years for both years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.35% to 2.50% per annum (2016: 1.35% to 3.00% per annum) as at 31 December 2017.

	Minimum lease payments As at 31 December		Present value of minimum lease payments As at 31 December	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Obligations under finance leases payable:				
Within one year	**25,819**	12,164	**23,511**	11,258
Within a period of more than one year but not more than two years	**20,942**	10,366	**19,303**	9,837
Within a period of more than two years but not more than five years	**35,782**	9,453	**34,015**	9,068
	82,543	31,983	**76,829**	30,163
Less: future finance charges	**(5,714)**	(1,820)	**–**	–
Present value of lease obligations	**76,829**	30,163	**76,829**	30,163
Less: Amount due for settlement with 12 months (shown under current liabilities)			**(23,511)**	(11,258)
Amount due for settlement after 12 months			**53,318**	18,905

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets and corporate guarantee provided by a subsidiary of the Group as at 31 December 2017 and 2016 and also personal guarantee provided by Mr. Lam as at 31 December 2016.

The personal guarantee provided by Mr. Lam was released upon the Listing.

25. ISSUED SHARE CAPITAL

The issued share capital as at 31 December 2016 represented the combined share capital of the Company and Sharp Idea.

The issued share capital as at 31 December 2017 represented the share capital of the Company.

On 12 August 2016, the Company was incorporated in the Cayman Islands with an authorised capital of HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each. Upon its incorporation, 1 new share of HK$0.01 was allotted and issued to the subscriber and was transferred to Gold Cavaliers at nominal value on the same day.

Details of the share capital of the Company are disclosed as follows:

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 12 August 2016 (date of incorporation), 31 December 2016 and 2017	10,000,000,000	100,000
Issued and fully paid:		
At 12 August 2016 (date of incorporation) and 31 December 2016	1	–
Issue of shares on 14 June 2017 *(note i)*	319	–
Issue of shares on 18 July 2017 *(note ii)*	80,000,000	800
Capitalisation issue *(note iii)*	319,999,680	3,200
At 31 December 2017	400,000,000	4,000

Notes:

(i) On 14 June 2017, pursuant to the share swap agreement entered into amongst Champion Success, Pre-IPO investor and the Company, Champion Success and Pre-IPO Investor transferred their entire equity interests in Sharp Idea to the Company in exchange of 299 and 20 shares of the Company of HK$0.01 each were issued at par to Gold Cavaliers and Profound Wellness, respectively, at the direction of Champion Success and Pre-IPO Investor.

(ii) The shares of the Company have been listed on GEM of the Stock Exchange by way of placing on 18 July 2017. 80,000,000 shares of the Company of HK$0.01 each were issued at a placing and public offer price of HK$0.5 per share.

(iii) On 18 July 2017, 319,999,680 shares of the Company were issued through capitalisation of approximately HK$3,200,000 standing to the credit of share premium account of the Company.

26. COMMITMENTS

Operating Lease Commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Within one year	**519**	1,161
In the second to fifth year inclusive	**–**	496
	519	1,657

The above operating lease payments represent rental payable by the Group for office premises for both years.

Leases and rentals are negotiated and fixed for a term of two to three years.

Capital Commitments

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**615**	–

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged throughout both years. The capital structure of the Group consists of debt, which includes bank borrowings and obligations under finance leases as disclosed in notes 22 and 24, respectively, and equity of the Group, comprising issued share capital, share premium, other reserve and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**184,276**	100,360
Financial liabilities		
Amortised cost	**107,936**	55,613

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, amount due from a controlling shareholder, pledged bank balances, bank balances and cash, trade payables, other payables and accrued charges, amount due to a related party and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has limited currency exposure as both the sales and direct costs were denominated in the functional currency of the respective group entities. However, the Group has payments for life insurance policies and had pledged bank balances and certain bank balances denominated in foreign currency which expose the Group to foreign currency risk.

As at 31 December 2017, the payments for life insurance policies of HK$17,787,000 (2016: HK$7,685,000) are denominated at US$. As at 31 December 2016, the pledged bank balances of HK$9,080,000 and bank balances of HK$511,000 were denominated at Renminbi ("**RMB**"). RMB and US$ are the currencies other than the functional currencies of the respective group entities.

Since the exchange rate of HK$ is pegged with US$, the management of Group does not expect any significant movements in the US$/HK$ exchange rates. Thus, there is no sensitivity analysis on US$ denominated financial assets.

The sensitivity analysis included only the outstanding RMB denominated monetary items and adjusts their translation as at 31 December 2016. Sensitivity analysis of strengthening 10% in functional currency of the entities comprising the Group (i.e. HK$) against RMB resulted a decrease in post-tax profit of HK$801,000 during the year ended 31 December 2016. For a 10% weakening of HK$ against RMB there would be an equal and opposite impact on the results.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk as the year end exposure did not reflect the exposure during the year.

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to obligations under finance leases (note 24).

The Group is also exposed to cash flow interest rate risk in relation to the payments for life insurance policies (note 16), pledged bank balances and bank balances (note 18) as well as floating-rate bank borrowings (note 22) as at 31 December 2017 and 2016.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime Rate arising from the Group's bank borrowings or other market interest rate from pledged bank balances and payments for life insurance policies.

Sensitivity analysis

In the opinion of management of the Group, the expected change in interest rate will not have significant impact on the interest income or expenses on payments for life insurance policies, pledged bank balances, bank balances and bank borrowings, hence sensitivity analysis is not presented.

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

The Group's credit risk is primarily attributable to trade receivables, receivable from a motor vehicle supplier, deposits paid to an insurance company, deposits for life insurance policies, amount due from a controlling shareholder, pledged bank balances and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

The Group's customers are mainly government departments/organisations and thus credit risk is considered to be low. Except for the customers of government departments/organisations which the management of the Group considers are of good credit quality, management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts from the non-government customers. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has concentration of credit risks with exposure limited to certain customers. Top two customers which are departments of the government of the Hong Kong Special Administrative Region amounting to HK$107,390,000 (2016: HK$65,400,000) comprised approximately 90% (2016: 90%) of the Group's trade receivables as at 31 December 2017. The management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

As at 31 December 2016, the Group had concentration of credit risk in respect of amount due from a controlling shareholder. In order to minimise the credit risk on amount due from a controlling shareholder, the management of the Group continuously monitors the settlement status of the controlling shareholder and the level of exposure to ensure that follow-up action is taken to recover overdue debts, if any. In current year, the management of the Group considers that the Group's credit risk is not material as the amount has subsequently settled.

The management considers the credit risk for receivable from a motor vehicle supplier as at 31 December 2017 is not significant as the amount was subsequently settled.

The management considers the credit risk for deposits paid to an insurance company as at 31 December 2017 is not significant as the insurance company is reputable.

The credit risk for deposits for life insurance policies, pledged bank balances and bank balances is considered as not significant as such amounts are placed in banks with good reputations.

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Repayable on demand HK$'000	Within 1 year HK$'000	Within 1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2017						
Non-derivative financial liabilities						
Trade payables	**N/A**	**–**	**5,816**	**–**	**5,816**	**5,816**
Other payables and accrued charges	**N/A**	**–**	**3,319**	**–**	**3,319**	**3,319**
Amount due to a related party	**N/A**	**–**	**13**	**–**	**13**	**13**
Bank borrowings	**4.83**	**98,788**	**–**	**–**	**98,788**	**98,788**
Obligations under finance leases	**1.72**	**–**	**25,819**	**56,724**	**82,543**	**76,829**
		98,788	**34,967**	**56,724**	**190,479**	**184,765**
As at 31 December 2016						
Non-derivative financial liabilities						
Trade payables	N/A	–	3,148	–	3,148	3,148
Other payables and accrued charges	N/A	–	3,671	–	3,671	3,671
Amount due to a related party	N/A	–	11	–	11	11
Bank borrowings	4.38	48,783	–	–	48,783	48,783
Obligations under finance leases	1.92	–	12,164	19,819	31,983	30,163
		48,783	18,994	19,819	87,596	85,776

Notes to The Consolidated Financial Statements

For the year ended 31 December 2017

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The amount included above for non-derivative financial liabilities bear variable interest instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 December 2017, the aggregate carrying amount of these bank borrowings amounted to HK$98,788,000 (2016: HK$48,783,000). Taking into account of the Group's financial position, management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayments. Management of the Group believes that such bank borrowings of the Group will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, management of the Group reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average effective interest rate *%*	Within 1 year *HK$'000*	Within 1 – 5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amount *HK$'000*
Bank borrowings:						
As at 31 December 2017	**4.83**	**94,676**	**7,458**	**1,654**	**103,788**	**98,788**
As at 31 December 2016	4.38	37,844	7,982	4,818	50,644	48,783

Fair value of financial instruments

Fair value

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings *HK$'000*	Obligations under finance leases *HK$'000*	Accrued issued costs *HK$'000*	Total *HK$'000*
At 1 January 2017	48,783	30,163	2,804	81,750
Financing cash flows *(Note)*	(12,137)	(26,501)	(4,638)	(43,276)
Loan from factoring of trade receivables included in operating activities	52,230	–	–	52,230
Inception of bank borrowing with life insurance policy *(note 30)*	6,760	–	–	6,760
Purchase of plant and equipment through finance lease *(note 30)*	–	71,191	–	71,191
Issued costs accrued	–	–	1,834	1,834
Finance costs recognised	3,152	1,976	–	5,128
At 31 December 2017	**98,788**	**76,829**	**–**	**175,617**

Note: The financing cash flows represented the net amount of proceeds from bank borrowings, payment of finance costs, repayments of bank borrowings and obligations under finance leases.

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2017, the Group entered into a life insurance policy with a bank and require to pay single premium of HK$10,015,000 and at the same time, the bank grant a term loan to the Group with principal amount of HK$6,760,000. The Group paid HK$3,255,000 to the bank at the inception of life insurance policy and the bank borrowing.

Additions to plant and equipment of approximately HK$71,191,000 (2016: HK$17,543,000) for the year ended 31 December 2017 were made under the finance leases.

During the year ended 31 December 2016, the Group settled dividend to Controlling Shareholders of approximately HK$20,800,000 through the Group's current account with the controlling shareholder.

31. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Total building management fee, rent and rates paid or payable to:		
CCT Limited	**341**	343
Source Mega	**289**	296
LES Limited	**287**	288
Subcontracting fee paid or payable to Kwok Tai	**13**	463

During the year ended 31 December 2016, Golden Field Services Limited ("Golden Field"), a company owned by Mr. Lam, entered into tenancy agreements for the premises occupied by the Group. The total rental expenses paid and payable to the landlords under the tenancy agreements entered into by Golden Field are as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Golden Field	**–**	720

The Group has operating lease commitments with related parties as follows:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Within one year	**391**	797
In the second to fifth year inclusive	**–**	391
	391	1,188

31. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the years ended 31 December 2017 and 2016 were as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Short-term benefits	**5,103**	3,453
Post-employment benefits	**88**	72
	5,191	3,525

32. RETIREMENT BENEFITS SCHEME

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the scheme.

The contributions paid and payable to the scheme by the Group are disclosed in notes 9 and 10.

33. CONTINGENT LIABILITIES

As at 31 December 2017, performance guarantee of approximately HK$71,544,000 (2016: HK$50,730,000) and HK$18,178,000 (2016: nil) were given by banks and an insurance company respectively in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantee have been given, such customers may demand the banks and the insurance company to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks and the insurance company accordingly. The performance guarantee will be released upon completion of the service contracts. The performance guarantee were granted under the banking facilities and with the deposits paid to the insurance company with details as set out in notes 18 and 16 respectively.

At the end of the reporting period, the management of the Group does not consider it is probable that a claim will be made against the Group.

34. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at 31 December 2017	2016	Principal activities
Sharp Idea	The BVI	Hong Kong	US$1,000	100%	100%	Investment holding
Lapco Service	Hong Kong	Hong Kong	HK$5,800,000	100%	100%	Provision of cleaning services in Hong Kong
Shiny Glory	Hong Kong	Hong Kong	HK$5,000,000	100%	100%	Provision of cleaning services in Hong Kong
Shiny Hope	Hong Kong	Hong Kong	HK$1	100%	100%	Provision of transportation services to group companies in Hong Kong

None of the subsidiaries had issued any debt securities of the end of reporting period.

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non current asset		
Investments in subsidiaries	**18,278**	–
Current assets		
Other receivables, deposits and prepayments	**185**	1,712
Amount due from a controlling shareholder	**–**	419
Bank balances	**165**	–
	350	2,131
Current liabilities		
Other payables and accrued charges	**1,526**	2,804
Amount due to a related party	**–**	6,570
	1,526	9,374
Net current liabilities	**(1,176)**	(7,243)
Net assets (liabilities)	**17,102**	(7,243)

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

	2017 HK$'000	2016 HK$'000
Capital and reserves		
Share capital	4,000	–
Reserves	13,102	(7,243)
Total equity	17,102	(7,243)

Movement in the Company's reserves

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 12 August 2016 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the period	–	(7,243)	(7,243)
At 31 December 2016	–	(7,243)	(7,243)
Loss and total comprehensive expense for the year	–	(11,017)	(11,017)
Issue of new shares	39,200	–	39,200
Capitalisation issue	(3,200)	–	(3,200)
Transaction costs attributable to issue of new shares	(4,638)	–	(4,638)
At 31 December 2017	**31,362**	**(18,260)**	**13,102**

FINANCIAL SUMMARY

	Year ended 31 December		
	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*
Revenue	**448,021**	404,124	363,467
(Loss) profit before taxation	**(8,447)**	12,452	18,144
Income tax credit (expense)	**208**	(3,663)	(3,056)
(Loss) profit for the year	**(8,239)**	8,789	15,088
Attributable to:			
The owners of the Company	**(8,239)**	8,789	15,088

	As at 31 December		
	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities			
Total assets	**293,482**	151,815	163,374
Total liabilities	**(231,296)**	(116,752)	(137,100)
	62,186	35,063	26,274
Attributable to:			
The owners of the Company	**62,186**	35,063	26,274