



**BASETROPHY GROUP HOLDINGS LIMITED**

**基地錦標集團控股有限公司**

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

Stock Code : 8460

**2021**  
ANNUAL REPORT

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*The Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “**Directors**”) of Basetrophy Group Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.*

# Contents

Corporate Information	02
Chairman's Statement	03
Management Discussion and Analysis	04
Biographical Details of the Directors and Senior Management	10
Directors' Report	14
Corporate Governance Report	24
Environmental, Social and Governance Report	38
Independent Auditors' Report	55
Consolidated Statement of Profit or Loss and Other Comprehensive Income	61
Consolidated Statement of Financial Position	62
Consolidated Statement of Changes in Equity	64
Consolidated Statement of Cash Flows	65
Notes to the Consolidated Financial Statements	66
Financial Summary	114

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors:

Mr. Lau Chung Ho (*Chief Executive Officer*)  
Mr. Leung Yat Fai Frankie Keith (*Chairman*)  
Ms. Fong Pui Yin Vivian (*appointed on 31 August 2021*)

### Independent non-executive Directors:

Mr. Ng Ki Man  
Mr. Lam Chee-yau Timothy  
(*appointed on 10 May 2021*)  
Mr. Ngok Ho Wai (*appointed on 19 January 2022*)  
Mr. Lu Tak Meng Teddy (*resigned on 12 February 2022*)  
Mr. Chong Kam Fung (*resigned on 31 August 2021*)

## AUDIT COMMITTEE

Mr. Ng Ki Man (*Chairman*)  
Mr. Lam Chee-yau Timothy  
(*appointed on 31 August 2021*)  
Mr. Ngok Ho Wai (*appointed on 12 February 2022*)  
Mr. Lu Tak Meng Teddy (*resigned on 12 February 2022*)  
Mr. Chong Kam Fung (*resigned on 31 August 2021*)

## REMUNERATION COMMITTEE

Mr. Ngok Ho Wai (*Chairman*)  
(*appointed on 12 February 2022*)  
Mr. Ng Ki Man  
Mr. Lam Chee-yau Timothy  
(*appointed on 31 August 2021*)  
Mr. Lu Tak Meng Teddy (*Chairman*)  
(*resigned on 12 February 2022*)  
Mr. Chong Kam Fung (*resigned on 31 August 2021*)

## NOMINATION COMMITTEE

Mr. Lam Chee-yau Timothy (*Chairman*)  
(*appointed on 31 August 2021*)  
Mr. Ng Ki Man  
Mr. Ngok Ho Wai  
(*appointed on 12 February 2022*)  
Mr. Chong Kam Fung (*Chairman*)  
(*resigned on 31 August 2021*)  
Mr. Lu Tak Meng Teddy (*resigned on 12 February 2022*)

## AUDITORS

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

## COMPANY SECRETARY

Ms. Yim Sau Ping

## AUTHORISED REPRESENTATIVES

Mr. Lau Chung Ho  
Ms. Yim Sau Ping

## COMPLIANCE OFFICER

Mr. Lau Chung Ho

## LEGAL ADVISERS AS TO HONG KONG LAWS

CFN Lawyers in association with Broad and Bright  
Units 4101-04, 41/F  
Sun Hung Kai Centre  
30 Harbour Road  
Wan Chai  
Hong Kong

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3, Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 18, 29/F  
New Tech Plaza  
34 Tai Yau Street  
San Po Kong  
Kowloon

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

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

## COMPANY'S WEBSITE

[www.wbgroupfw.com.hk](http://www.wbgroupfw.com.hk)

## STOCK CODE

8460

# Chairman's Statement

Dear Shareholders :

On behalf of the Board of Directors (the "**Board**") of Basetrophy Group Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am glad to present the annual report of the Group for the year ended 31 December 2021.

In 2021, the COVID-19 pandemic continued to ravage around the world. After discounting the effect of price changes, the total GVCW performed by main contractors in 2021 decreased by 1.5% in real terms over 2020, the mandatory testing and other quarantine measures continued to take a heavy toll on the industry, forcing many construction projects to be suspended or delayed. The emergence of the mutated virus strains Delta and Omicron has added uncertainty to Hong Kong's economic recovery. The Group has taken effective measures during the pandemic to protect the safety and health of our employees, so as to minimize the impact of the pandemic on the Group's operating and financial performance and to protect the interest of shareholders of the company (the "**Shareholders**").

During the year ended 31 December 2021, the Group's total revenue was approximately HK\$88.8 million, representing a decrease of HK\$20.3 million compared with the year ended 31 December 2020. The decrease was due to sizeable projects with large contract value had been completed and reflected in the revenue recorded in the year ended 31 December 2020. Due to the steep increase of reported cases of the mutated virus strain Omicron in 2022 in Hong Kong, we are more prudent about the recovery of the construction industry in the first quarter of 2022. However, with the Hong Kong's COVID-19 vaccination rate rising, coupled with the social demand for commercial and residential property, the Group will be keeping a close eye on changes in the industry as a whole and continue to maintain a cautious and optimistic attitude.

Looking into the future, the Board and the management team will prudently formulate development strategies with industry knowledge and resources. While strengthening the core business of the Group, we will seek development opportunities that may bring benefits to the Group in Hong Kong and the Greater Bay Area, to provide customers' diversified services and, creating value for the Shareholders. Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the Shareholders, customers and business partners for their support and trust.

*Chairman and Executive Director*

**Leung Yat Fai Frankie Keith**

Hong Kong, 22 April 2022

# Management Discussion and Analysis

## BUSINESS REVIEW

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

The shares of the Company were listed on GEM of the Stock Exchange on 27 June 2017 (the “**Listing Date**”) by way of public offer.

For the year ended 31 December 2021, the Group recorded a net profit of approximately HK\$0.6 million as compared to a net profit of approximately HK\$0.5 million for the year ended 31 December 2020.

## OUTLOOK

The Directors are of the view that the general outlook of the industry and the business environment in which the Group operates remain difficult and challenging. Since January 2020, the outbreak of COVID-19 has had a drastic effect on the Hong Kong economy and imposed negative impacts to the construction industry, including supply chain disruptions, workforce shortages due to illness and preventative quarantines and work stoppages due to measures imposed by the Government of the Hong Kong Special Administrative Region. The Group has not encountered or experienced any material difficulty and/or delay in completion of the projects to the customers and from the subcontractors and any material supply chain disruptions of the suppliers due to the outbreak of COVID-19. The Group will also closely monitor the projects’ progress and communicate with suppliers and subcontractors, maintain close communication with customers on the latest project works schedules and arrangements, proactively follow up with potential customers on the tenders and quotations submitted, and actively respond to any business enquiries, tender and quotation invitations to maintain market competitiveness. The Group will continue to strive to improve its operational efficiency and business profitability and will also proactively seek for potential business opportunities that can broaden the sources of income of the Group and enhance value to the Shareholders.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

- A significant portion of the Group’s revenue was generated from contracts which were not recurrent in nature and were awarded by a few customers, and there is no guarantee that the customers will provide the Group with new business;
- As the Group from time to time engages subcontractors in the works, the Group may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of the Group’s subcontractors; and
- There may be discrepancies between the ground investigation findings and the actual geological conditions of the site which may cause the Group to incur additional cost or result in potential claims which are not insured and adversely affect the Group’s profitability as the related contracts are usually of a fixed sum without price adjustment mechanism.

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

# Management Discussion and Analysis

## COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2021, there was no material breach of or non-compliance of the applicable laws and regulations by the Group.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

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

The details of ESG performance of the Group are set out in the ESG Report on pages 38-54 of this report.

## RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

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

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by approximately HK\$20.3 million or 18.6% from approximately HK\$109.1 million for the year ended 31 December 2020 to approximately HK\$88.8 million for the year ended 31 December 2021, mainly due to sizeable projects with large contract value had been completed and reflected in the revenue recorded in the year ended 31 December 2020.

### Costs of sales

The Group's cost of sales decreased from approximately HK\$101.8 million for the year ended 31 December 2020 to approximately HK\$77.9 million for the year ended 31 December 2021, representing a decrease of approximately HK\$23.9 million or 23.5%. Such decrease was generally in line with the decrease in revenue.

### Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2021 were approximately HK\$10.9 million, representing an increase of approximately 49.3% from approximately HK\$7.3 million for the year ended 31 December 2020. Such increase was mainly due to the increase in gross profit margin. The Group's gross profit margin for the year ended 31 December 2021 was approximately 12.3%, representing an increase of approximately 5.6 percentage points as compared to approximately 6.7% for the year ended 31 December 2020. Such increase was primarily due to the effects of decisive cost control initiatives which have been taken by the management of the Group.

# Management Discussion and Analysis

## Other income and other gain

The other income and other gain increased by approximately HK\$1.2 million from approximately HK\$3.3 million for the year ended 31 December 2020 to approximately HK\$4.5 million for the year ended 31 December 2021, primarily due to one-off gain of approximately HK\$2.5 million related to disposal of property, plant and equipment for the year ended 31 December 2021, partially offset by the decrease in government grants mainly received under the “Anti-epidemic Fund” due to the outbreak of the COVID-19.

## Administrative and other operating expenses

The Group’s administrative and other operating expenses for the year ended 31 December 2021 were approximately HK\$10.7 million, representing an increase of approximately HK\$1.3 million or 13.8% from approximately HK\$9.4 million for the year ended 31 December 2020, primarily due to increase in staff costs.

## Finance Costs

Finance costs of the Group were approximately HK\$0.8 million for both years ended 31 December 2021 and 2020. Finance costs consist of interest on bank and other borrowings and lease liabilities.

## Income Tax (Expense)/Credit

For the years ended 31 December 2020 and 2021, the Group recorded income tax credit of approximately HK\$1.4 million and income tax expense of approximately HK\$0.6 million, respectively.

## Profit for the year

For the year ended 31 December 2021, the Group recorded a profit attributable to owners of the Company of approximately HK\$0.6 million as compared to approximately HK\$0.5 million for the year ended 31 December 2020. The profit during the year was mainly attribute to (i) cost effective control; (ii) engagement with well-trained workers and well-managed subcontractors; and (iii) the increase in other income and other gain due to one-off gain of approximately HK\$2.5 million related to disposal of property, plant and equipment for the year ended 31 December 2021.

## LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2021, the Group had cash and bank balances of approximately HK\$4.4 million (2020: approximately HK\$5.4 million).

As at 31 December 2021, the Group’s total equity attributable to owners of the Company amounted to approximately HK\$66.2 million (2020: approximately HK\$61.5 million). As of the same date, the Group’s total debt, comprising borrowings and lease liabilities, amounted to approximately HK\$11.3 million (2020: approximately HK\$19.8 million).

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



# Management Discussion and Analysis

## **BORROWINGS AND GEARING RATIO**

As at 31 December 2021, the Group had borrowings and lease liabilities of approximately HK\$11.3 million which was denominated in Hong Kong dollars (2020: approximately HK\$19.8 million). The Group's borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 December 2021, the gearing ratio of the Group, calculated as the total interest-bearing liabilities divided by the total equity, was approximately 17.1% (2020: approximately 32.2%).

## **TREASURY POLICY**

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

## **CHARGE ON GROUP ASSETS**

As at 31 December 2021, the Group has pledged its machinery and equipment with an aggregate net book value of approximately HK\$0.6 million (2020: approximately HK\$11.9 million) and did not pledge its motor vehicles (2020: approximately HK\$0.8 million).

As at 31 December 2021, the Group pledged the payment for a life insurance policy of a bank with the carrying amount of approximately HK\$2.7 million to secure the bank borrowings of the Group (2020: approximately HK\$2.7 million).

To better manage the Group's capital structure and financing needs, the Group sometimes enters into sale and leaseback arrangements in relation to machinery leases. These legal transfer does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the machinery. During the year ended 31 December 2021, the Group had raised approximately HK\$0.9 million borrowings in respect of such sale and leaseback arrangements (2020: approximately HK\$1.9 million).

## **FOREIGN EXCHANGE EXPOSURE**

All of the revenue-generating operations and borrowings of the Group were mainly transacted in Hong Kong dollars which is the presentation currency of the Group, except for certain bank balances and payment for life insurance policy which are denominated in US\$. Since HK\$ is pegged to US\$, the Directors are of the view that the Group has limited exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

## **CAPITAL STRUCTURE**

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

On 18 October 2021, the Company and the placing agent entered into the placing agreement, pursuant to which the Company has agreed to offer for subscription, and the placing agent has agreed to procure, on a best effort basis, to not less than six placees to subscribe for up to 100,000,000 placing shares at a price of HK\$0.043 per placing share. The placees and their ultimate beneficial owners were independent third parties. The placing of the new shares has been completed on 4 November 2021. Details of the placing of the new shares are set out in the announcements of the Company dated 18 October 2021, 22 October 2021 and 4 November 2021.

As at 31 December 2021, the Company's issued share capital was HK\$11.0 million and the number of its issued ordinary shares was 1,100,000,000 of HK\$0.01 each.

# Management Discussion and Analysis

## USE OF PROCEEDS FROM PLACING

The net proceeds from the placing (after deduction of placing fee and other expenses of the placing) amounted to approximately HK\$4,168,000, which will be utilised for operating funds purposes and for future investments of the Group as and when opportunities arise.

As at 31 December 2021, approximately HK\$2.9 million out of net proceeds from the placing has been used for operating fund purposes. The remaining unutilised net proceeds of approximately HK\$1.3 million were deposited in licensed banks in Hong Kong. Due to the unstable economic environment under the prolonged outbreak of COVID-19, the Group will utilise the remaining balance in a conservative manner. The Directors will constantly evaluate the Group's business objectives and specific needs from time to time. Further announcement will be made if there are any changes on the use of proceeds as and when appropriate. Such amounts are expected to be fully utilised on or before 31 December 2022.

## CAPITAL COMMITMENTS

As at 31 December 2021, the Group had no material capital commitments (2020: Nil) contracted but not provided for property, plant and equipment.

## SEGMENT INFORMATION

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

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this report, the Group did not have other plans for material investments or capital assets as of 31 December 2021.

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

During the year ended 31 December 2021, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures.

## CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities (2020: Nil).

## FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

## INFORMATION ON EMPLOYEES

As at 31 December 2021, the Group had 25 full-time employees working in Hong Kong (2020: 25). The total staff costs, including Directors' emoluments and mandatory provident funds contributions, of the Group were approximately HK\$17.9 million for the year ended 31 December 2021 (2020: approximately HK\$11.7 million).

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

Details of the Company's share option schemes is set out in Note 22 to the consolidated financial statements.

# Management Discussion and Analysis

## EVENTS AFTER THE REPORTING PERIOD

Mr. Ngok Ho Wai (“**Mr. Ngok**”), the independent non-executive Director, was appointed on 19 January 2022. Mr. Lu Tak Meng Teddy has resigned as an independent non-executive Director, the chairman of the remuneration committee of the Company (the “**Remuneration Committee**”) and a member of each of the audit committee of the Company (the “**Audit Committee**”) and nomination committee of the Company (the “**Nomination Committee**”) with effect from 12 February 2022.

Mr. Ngok has been appointed as the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee in replacement of Mr. Lu Tak Meng Teddy with effect from 12 February 2022.

# Biographical Details of the Directors and Senior Management

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

## EXECUTIVE DIRECTOR

**Mr. Lau Chung Ho (劉頌豪) (“Mr. Lau”)**, aged 59, is the chief executive officer (the “**Chief Executive Officer**”) of the Company, an executive Director, a controlling shareholder and the co-founder of the Group. Since July 2003, Mr. Lau has been a director of Workbase Engineering Limited. Mr. Lau was appointed as a Director on 4 January 2016 and was redesignated as an executive Director on 22 September 2016. As a dedicated leader since the commencement of the Group’s operations and a key member of the executive management team, Mr. Lau is responsible for overseeing the Group’s operations, business development, human resources, finance and administration. Mr. Lau has over 38 years of experience in the construction industry, during which he gathered extensive knowledge of the industry and established close relationships with customers, suppliers and subcontractors alike.

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

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

**Mr. Leung Yat Fai Frankie Keith (former English name was Leung Yat Fai Frankie) (梁日輝) (“Mr. Leung”)**, aged 52, was appointed as the vice chairman of the Board and executive Director on 8 February 2021. He has been re-designated as the chairman of the Board (the “**Chairman**”) and executive Director on 10 May 2021. Mr. Leung obtained a Bachelor of Arts from The University of Winnipeg in Canada in June 1993 and a Master of Business Administration from Murdoch University in Australia in May 1997.

Mr. Leung has extensive experience in footwear and real estate development industry. Since 1992, Mr. Leung has been serving as a legal representative of Guangzhou PATTY footwear Co., Limited\* (廣州芭迪鞋業有限公司), the business activities of which include footwear business. Mr. Leung has been serving as a director of Joint Good Corporation Limited since 2012, the nature of the company’s business is real estate investment and development. He has also been serving as a director of Links Development Limited since 2013, the nature of the company’s business is real estate development in People’s Republic of China.

Mr. Leung is the spouse of Ms. Fong Pui Yin Vivian, the executive Director.

# Biographical Details of the Directors and Senior Management

**Ms. Fong Pui Yin Vivian (former English name was Fong Pui Yin) (方佩賢) (“Ms. Fong”)**, aged 51, was appointed as an executive Director on 31 August 2021. Ms. Fong obtained a Bachelor of Arts degree from University of Toronto in June 1995.

Ms. Fong has extensive experience in leather products manufacturing and real estate development industry. Since July 2000, Ms. Fong has been serving as a vice managing director of Patty Company Limited. Ms. Fong has been serving as a director of Guangzhou Patty Leather Products Co., Limited\* (廣州市芭迪皮革製品有限公司) since April 2003, the business activities of which include leather products manufacturing business. She has also been serving as an executive director of Links Development Limited and Yunfu Liancheng Real Estate Co. Limited\* (雲浮市連城置業有限公司), since 2014 respectively.

Ms. Fong is the spouse of Mr. Leung, the executive Director and the Chairman.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ng Ki Man (吳祺敏) (“Mr. Ng”)**, aged 36, was appointed as the independent non-executive Director on 7 June 2017. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Ng is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Ng obtained a Bachelor of Business Administration (Honours) degree in Information Systems from the City University of Hong Kong in November 2008 and a Postgraduate Certificate in Professional Accounting in July 2009. Mr. Ng has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and Chartered Accountant of the Institute of Chartered Accountants in England and Wales since January 2012 and March 2012, respectively. Mr. Ng has over 13 years of experience in auditing and accounting services. From September 2015 to April 2016, Mr. Ng had been as the financial controller and company secretary of China Ruifeng Renewable Energy Holdings Limited (stock code: 527), a company listed on the Main Board of the Stock Exchange. Mr. Ng was the company secretary of Hao Tian International Construction Investment Group Limited (stock code: 1341) (formerly known as Clear Lift Holdings Limited), a company listed on the Main Board of the Stock Exchange, from April 2016 to February 2017. Since October 2016, Mr. Ng has been an independent non-executive director of China Wantian Holdings Limited (stock code: 1854) (formerly known as Goal Forward Holdings Limited), a company listed on the Main Board of the Stock Exchange.

# Biographical Details of the Directors and Senior Management

**Mr. Lam Chee-yau Timothy (林子右) (“Mr. Lam”)**, aged 37, was appointed as the independent non-executive Director on 10 May 2021. He is also the chairman of the Nomination Committee and a member of each of the Remuneration Committee and the Audit Committee. Mr. Lam obtained a Bachelor of Arts (Philosophy), Bachelor of Laws and Master of Strategic Public Relations from the University of Sydney in Australia in April 2005, May 2007 and October 2011, respectively. He obtained a Master of Laws (Corporate and Commercial Law) from the University of New South Wales in Australia in May 2008. Mr. Lam also received a Master of Buddhist Studies and Master of Buddhist Counselling from the University of Hong Kong in December 2017 and December 2020, respectively.

Mr. Lam has over 16 years of experience in legal practice. He was admitted as a solicitor to the Supreme Court of New South Wales in Australia in December 2007 and admitted as a solicitor to the High Court of Hong Kong in April 2016. He is currently a partner of Hui & Lam Solicitors LLP, a Hong Kong law firm representing a range of clients in areas of corporate finance and company law.

Since December 2019, Mr. Lam has been a member of the Australian Institute of Company Directors and a fellow member of The Hong Kong Institute of Directors. Mr. Lam is also currently serving as a volunteer in the role of a Governor of the Board of the Children’s Cancer Foundation since May 2020.

**Mr. Ngok Ho Wai (樂可慰) (“Mr. Ngok”)**, aged 53, was appointed as the independent non-executive Director on 19 January 2022. He is also the chairman of the Remuneration Committee and a member of each of the Nomination Committee and the Audit Committee. Mr. Ngok obtained a Bachelor degree of Social Science with Honors from The Chinese University of Hong Kong in December 1993. He obtained a Master degree of Accounting from Curtin University of Technology (now known as Curtin University) in February 1999. Mr. Ngok has been a member of the Hong Kong Institute of Certified Public Accountants since July 2000.

Mr. Ngok has over 27 years of experience in corporate banking in the area of sales and marketing and credit management. From August 1993 to August 1996, Mr. Ngok was employed by Wing Hang Bank Limited and his last position was senior officer in Kwai Chung Branch. He later joined Fortis Bank in September 1996 and left in June 2000, with his last position held as relationship manager in the commercial banking department. Mr. Ngok subsequently worked for DBS Bank (Hong Kong) Limited from July 2000 to March 2007, with his last position held as vice president of enterprise banking. He then joined Dah Sing Bank Limited from May 2007 to August 2014 with his last position held as team head in the commercial bank marketing department. Mr. Ngok was appointed as vice president of the corporate banking section of O-Bank Co., Ltd. (Hong Kong branch) from August 2014 to November 2018. He worked for OCBC Wing Hang Bank Limited from January 2019 to November 2019 with his last position as senior manager in commercial banking. Mr. Ngok later joined Industrial & Commercial Bank of China (Asia) Limited from December 2019 to October 2020, with his last position as team head in the Greater Bay Area corporate banking department.

# Biographical Details of the Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. To Kam Ming (陶錦明) (“Mr. To”)**, aged 38, is the Project Manager of the Group. He joined the Group as an assistant project manager in November 2015 and was later promoted to his current position in February 2016. Mr. To obtained a Diploma in Civil Engineering from the Hong Kong Institute of Vocational Education in July 2003 and a Higher Diploma in Building Technology and Management (Engineering) from The Hong Kong Polytechnic University in December 2005. He also obtained a Bachelor of Engineering (Honours) in Building Engineering (Structural and Geotechnical Engineering) from the City University of Hong Kong in February 2010.

Mr. To has over 14 years of experience in the construction industry. He commenced his career working as a building safety assistant in the Buildings Department in June 2006. Mr. To joined the Drainage Services Department of Hong Kong as a works supervisory assistant with his last position held as work supervisor II (Civil) between July 2007 and November 2010. From November 2010 to July 2011, he worked as a structural engineer in Midi Aluminum Fabricator Limited. From July 2011 to November 2011, he worked as a site engineer in Chiu Hing Construction & Transportation Company Limited. Mr. To worked in Tysan Foundation Limited as an engineer between January 2012 to October 2015 with his last position held as project engineer.

## COMPANY SECRETARY

**Ms. Yim Sau Ping (嚴秀屏) (“Ms. Yim”)**, aged 39, prior to joining the Group, Ms. Yim worked for Boill Healthcare Holdings Limited (formerly known as Ngai Shun Holdings Limited) (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on GEM, as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of more than five companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017 respectively. She has accumulated more than 13 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.

\* For identification purposes only

# Directors' Report

The Directors present their report together with the audited financial statements of Basetrophy Group Holdings Limited and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

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

## BUSINESS REVIEW

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

## DIVIDEND POLICY

The Board has adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. Details of the Dividend Policy is disclosed below.

The Company adopts a general dividend policy that aims to provide shareholders of the Company out of the Group's profit attributable to shareholders in any financial year, subject to the criteria set out below.

Such declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the memorandum and articles of association of the Company.

In proposing any dividend payout, the Board shall also take into account, inter alia:

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;



# Directors' Report

- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

The Board may propose the payment of dividends, if any, with respect to the Company's shares on a per share basis.

In addition to cash, dividends may be distributed in the form of shares subject to and in accordance with the procedures set out in the Company's memorandum and articles of association.

Except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the Directors to be justified by the profits of the Company available for distribution.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and this Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Pursuant to the Code Provision F.1.1 under Appendix 15 Corporate Governance Code and Corporate Governance Report, the Company should disclose the policy on payment of dividend in the annual report.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income of this report. The state of affairs of the Group and the Company as at 31 December 2021 are set out in the consolidated statement of financial position and Note 29 to the consolidated financial statements, respectively. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021.

## CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Wednesday, 1 June 2022 (the "2022 AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 26 May 2022.

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the five financial years is set out on page 114 in this report. This summary does not form part of the audited consolidated financial statements of the Group.

# Directors' Report

## PROPERTY, PLANT AND EQUIPMENT

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

## DONATION

The Group did not make any charitable donations during the year ended 31 December 2021 (2020: approximately HK\$26,000).

## SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in Note 21 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and Note 29 to the consolidated financial statements respectively.

## SHARE OPTIONS SCHEMES

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

A summary of the particulars of the Scheme as required under Rule 23.09 of the GEM Listing Rules is set out in Note 22 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

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

## RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2021 are set out in Note 27 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

## DISTRIBUTABLE RESERVES

At 31 December 2021, the Company's reserves available for distribution to owners comprising share premium account and other reserves less accumulated losses, amounted to approximately HK\$14.8 million.

## MAJOR CUSTOMERS AND SUPPLIERS AND SUBCONTRACTORS

During the year ended 31 December 2021, the percentage of the Group's aggregate turnover attributable to the Group's largest customer was approximately 37.1%, while the percentage of the Group's total turnover attributable to the five largest customers in aggregate was approximately 100%.

# Directors' Report

During the year ended 31 December 2021, the percentage of the Group's largest subcontractor was approximately 10.4% of the total direct costs for the period, while the percentage of the Group's five largest suppliers and subcontractors accounted for approximately 40.7% of the total direct costs.

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

## DIRECTORS

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

### Executive Directors

Mr. Lau Chung Ho (*Chief Executive Officer*)  
Mr. Leung Yat Fai Frankie Keith (*Chairman*) (*redesignated as the Chairman on 10 May 2021*)  
Ms. Fong Pui Yin Vivian (*Appointed on 31 August 2021*)

### Independent non-executive Directors

Mr. Ng Ki Man  
Mr. Lam Chee-yau Timothy (*Appointed on 10 May 2021*)  
Mr. Ngok Ho Wai (*Appointed on 19 January 2022*)  
Mr. Lu Tak Meng Teddy (*resigned on 12 February 2022*)  
Mr. Chong Kam Fung (*resigned on 31 August 2021*)

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

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

## PERMITTED INDEMNITY PROVISION

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

## DIRECTORS' SERVICE CONTRACTS

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

# Directors' Report

## DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year ended 31 December 2021.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Directors' Report – Related Party Transaction and Continuing Connected Transaction" above and in the section headed "Relationship with our Controlling Shareholders" in the Prospectus, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders (as defined in the GEM Listing Rules) or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders (as defined in the GEM Listing Rules) or their subsidiaries during the year ended 31 December 2021.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" below and the Scheme disclosures in Note 22 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or the controlling shareholders of the Company (the "**Controlling Shareholders**") or their respective close associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflict of interests with the Group during year ended 31 December 2021.

## Non-Competition Undertakings

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

# Directors' Report

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

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

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

During the year ended 31 December 2021, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each of the Controlling Shareholders in respect of him/it and his/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders had complied with the Deed of Non-competition.

## **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the Directors and the senior management of the Group are set out on pages 10-13 of this report.

## **EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS**

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in Note 8 to the consolidated financial statements. The emolument of the number of the highest paid individuals who are not the Directors for the year ended 31 December 2021 are set out in Note 8(b) to the consolidated financial statements.

# Directors' Report

The emoluments of the senior management of the Group for the year ended 31 December 2021 falls within the following band:

<b>Emolument Band</b>	<b>Number of Senior Management</b>
Up to HK\$1,000,000	2
HK\$1,000,001 to HK\$1,500,000	–
HK\$1,500,001 to HK\$2,000,000	–

## **EMOLUMENT POLICY**

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

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

## **RETIREMENT BENEFITS PLANS**

Particulars of retirement benefits plans of the Group as at 31 December 2021 are set out in Note 2.16(ii) to the consolidated financial statements.

## **MANAGEMENT CONTRACTS**

Save for the service agreements (for the executive Director) and letters of appointment (for the independent non-executive Directors) with the Company entered into with each of the Directors, no contracts concerning the management and administration of the whole and any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

# Directors' Report

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

As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, are as follows:

### Long positions in Shares

Name	Capacity/Nature of interest	Number of Shares held/ interested	Percentage of shareholding
Mr. Lau ( <i>Note</i> )	Interest in a controlled corporation	510,000,000	46.36%

*Note:*

Mr. Lau beneficially own the entire issued share capital of Brightly Ahead. Therefore, Mr. Lau is deemed, or taken to be, interested in all the Shares held by Brightly Ahead for the purpose of the SFO. Mr. Lau is the sole director of Brightly Ahead.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

# Directors' Report

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

As at 31 December 2021, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the Shares or the underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

### Long positions in the Shares

Name	Capacity/Nature of interest	Number of Shares held/ interested	Percentage of shareholding
Brightly Ahead	Beneficial owner	510,000,000	46.36%

Save as disclosed above, as at 31 December 2021, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' Report – Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2021.

## CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 24-37 of this report.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2021.



# Directors' Report

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

## **INDEPENDENT AUDITORS**

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company.

The Company has not changed its external auditors in any of the preceding three years.

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

Hong Kong, 22 April 2022

# Corporate Governance Report

## INTRODUCTION

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

## CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 15 of the GEM Listing Rules. During the year ended 31 December 2021, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.68 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Required Standard of Dealing**"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealing and there was no event of non-compliance during the year ended 31 December 2021.

## DIRECTORS' RESPONSIBILITIES

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

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

# Corporate Governance Report

## DELEGATION BY THE BOARD

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

## Board Composition

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

### Executive Directors

Mr. Lau Chung Ho

*(Chief Executive Officer)*

Mr. Leung Yat Fai Frankie Keith *(Chairman)*

Ms. Fong Pui Yin Vivian

### Independent non-executive Directors

Mr. Ng Ki Man

Mr. Lam Chee-yau Timothy

Mr. Ngok Ho Wai

Biographical details of the Directors are set out in “Biographical Details of the Directors and Senior Management” on pages 10-13 of this report.

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

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

# Corporate Governance Report

## Board Diversity Policy

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) on 28 December 2018 which sets out the basis to achieve diversity on the Board. Details of the Board Diversity Policy is disclosed as below.

### 1. Purpose

The Board Diversity Policy aims to set out the approach to achieve diversity on the Board.

### 2. Vision

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

### 3. Policy

When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

### 4. Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how.

### 5. Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the Board Diversity Policy.

### 6. Review of the Board Diversity Policy

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

### 7. Disclosure of the Board Diversity Policy

A Summary of the Board Diversity Policy together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives will be disclosed in the annual corporate governance report.

# Corporate Governance Report

## Nomination Policy

The Board has adopted a nomination policy (the “**Nomination Policy**”) on 28 December 2018 which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the directors of the Company. Details of the Nomination Policy is disclosed as below.

### 1 PURPOSE

- 1.1 The Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors.
- 1.2 The Nomination Policy aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company’s business.

### 2 CRITERIA

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the “**Criteria**”):

- (a) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;
- (b) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;
- (c) Qualifications, including accomplishment and experience in the relevant industries the Company’s business is involved in;
- (d) Independence;
- (e) Reputation for integrity;
- (f) Potential contributions that the individual(s) can bring to the Board; and
- (g) Commitment to enhance and maximize shareholders’ value.

# Corporate Governance Report

## 3 RE-ELECTION OF DIRECTOR AT GENERAL MEETING

3.1 The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the criteria including but not limited to:

- (a) the overall contribution and service to the Company of the retiring director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and
- (b) whether the retiring Director(s) continue(s) to satisfy the Criteria in section 2.

3.2 The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

## 4 NOMINATION PROCESS

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

- (a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- (b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;
- (c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;
- (d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- (e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and
- (f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

# Corporate Governance Report

## 5 RESPONSIBILITY

The Board will be ultimately responsible for the selection, appointment and re-appointment of Directors.

## 6 MONITORING AND REPORTING

The Nomination Committee will assess and report annually, in the Corporate Governance Report, on the composition of the Board, and launch a formal process to monitor the implementation of the Nomination Policy as appropriate.

## 7 REVIEW OF THE NOMINATION POLICY

The Nomination Committee will launch a formal process to review the Nomination Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

## 8 DISCLOSURE OF THE NOMINATION POLICY

8.1 A summary of the Nomination Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year will be disclosed in the annual corporate governance report.

8.2 In the circular to shareholders for proposing a candidate as an independent non-executive director, it should also set out:

- the process used for identifying the candidate and why the Board believes the candidate should be elected and the reason why it considers the candidate to be independent;
- if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, the reason the board believes the candidate would still be able to devote sufficient time to the Board;
- the perspectives, skills and experience that the candidate can bring to the Board; and
- how the candidate can contribute to the diversity of the Board.

# Corporate Governance Report

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. All independent non-executive Directors possess suitable and appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 5.09 of the GEM Listing Rules.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years which may be terminated by not less than one month's notice in writing served by either party on the other and is subject to retirement by rotation and re-election in accordance with the memorandum and articles of association of the Company.

Pursuant to the letter of appointment between the Company and each of the independent non-executive Directors, the independent non-executive Directors have been appointed for an initial term of three years which may be terminated by either party by giving no less than one month's written notice.

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

Mr. Lau, Mr. Ng, Ms. Fong, Mr. Lam and Mr. Ngok will retire from office at the forthcoming annual general meeting of the Company to be held on Wednesday, 1 June 2022. Mr. Lau, Mr. Ng, Ms. Fong, Mr. Lam and Mr. Ngok, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Lau, Mr. Ng, Ms. Fong, Mr. Lam and Mr. Ngok.



# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The role of chairman remains separate from that of the chief executive officer to enhance their respective independence, accountability and responsibility. Mr. Leung is the Chairman and Mr. Lau is the Chief Executive Officer.

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the year ended 31 December 2021, the Company has provided and all Directors have attended training courses on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

## BOARD COMMITTEES

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

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

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

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

# Corporate Governance Report

## Remuneration Committee

The Remuneration Committee was established on 7 June 2017. The chairman of the Remuneration Committee is Mr. Ngok, the independent non-executive Director, and other members includes Mr. Ng and Mr. Lam, the independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the website of the Stock Exchange and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has held four meetings to review the remuneration packages of the appointment of Ms. Fong as an executive Director, and each of Mr. Lam and Mr. Ngok as an independent non-executive Director, and to review the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 December 2021. No Director or any of his or her associates is involved in deciding his or her own remuneration.

## Nomination Committee

The Nomination Committee was established on 7 June 2017. The chairman of the Nomination Committee is Mr. Lam, the independent non-executive Director, and other members included Mr. Ng and Mr. Ngok, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the website of the Stock Exchange and on the Company's website.

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

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

During the year ended 31 December 2021, the Nomination Committee held four meetings to review and recommend the appointment of Ms. Fong as an executive Director, and each of Mr. Lam and Mr. Ngok as an independent non-executive Director; to review the resignation of each of Mr. Lu Tak Meng Teddy and Mr. Chong Kam Fung as an independent non-executive Director; and to review and recommend the re-election of Directors.

# Corporate Governance Report

## Audit Committee

The Audit Committee was established on 7 June 2017. The chairman of the Audit Committee is Mr. Ng, the independent non-executive Director, and other members included Mr. Lam and Mr. Ngok, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

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

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

During the year ended 31 December 2021, the Audit Committee held four meetings to review and comment on the Company's 2020 annual results, 2021 interim results and quarterly results as well as the Company's internal control procedures and risk management system.

The Group's consolidated financial statements for the year ended 31 December 2021 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2021 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

# Corporate Governance Report

## ATTENDANCE RECORDS OF MEETINGS

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

During the year, the Chairman held a meeting with the independent non-executive Directors without the executive Directors present.

Details of all Directors' attendance at the Board meeting and Board committees' meeting held during the year ended 31 December 2021 are as follows:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2021 Annual General Meeting
	Number of Meetings Attended/Held				
<b>Executive Directors</b>					
Mr. Lau Chung Ho	8/8	N/A	N/A	N/A	1/1
Mr. Leung Yat Fai Frankie Keith <i>(re-designated as the Chairman on 10 May 2021)</i>	7/8	N/A	N/A	N/A	0/1
Ms. Fong Pui Yin Vivian <i>(appointed on 31 August 2021)</i>	2/2	N/A	N/A	N/A	N/A
<b>Independent non-executive Directors</b>					
Mr. Ng Ki Man	8/8	4/4	4/4	4/4	1/1
Mr. Lu Tak Meng Teddy <i>(resigned on 12 February 2022)</i>	8/8	4/4	4/4	4/4	1/1
Mr. Chong Kam Fung <i>(resigned on 31 August 2021)</i>	5/5	3/3	3/3	3/3	1/1
Mr. Lam Chee-yau Timothy <i>(appointed on 10 May 2021)</i>	4/4	1/1	N/A	N/A	N/A
Mr. Ngok Ho Wai <i>(appointed on 19 January 2022)</i>	N/A	N/A	N/A	N/A	N/A

## COMPANY SECRETARY

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

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

For the year ended 31 December 2021, Ms. Yim undertook no less than 15 hours of relevant professional training to update her skill and knowledge. The biographies of Ms. Yim is set out in the section headed "Biographical Details of the Directors and Senior Management" of this report.

# Corporate Governance Report

## INDEPENDENT AUDITORS' REMUNERATION

HLB Hodgson Impey Cheng Limited is appointed as the external auditors of the Company. The fee paid and payable in respect of audit services and non-audit services amounted to approximately HK\$680,000 and HK\$nil respectively for the year ended 31 December 2021.

## SHAREHOLDERS' RIGHT

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

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

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

## RISK MANAGEMENT AND INTERNAL CONTROL

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

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

- Identify risks: Identify major and significant risks that could affect the achievement of goals of the Group;
- Risk assessment: Assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence;
- Risk mitigation: Develop effective control activities to mitigate the risks.

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

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

# Corporate Governance Report

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

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 December 2021 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

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

## DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- define the requirements of periodic financial and operational reporting to the Board and the Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;
- control the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;
- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the GEM Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and the Company's website.

# Corporate Governance Report

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

- (i) Corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.wbgroupfw.com.hk](http://www.wbgroupfw.com.hk);
- (ii) Periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) Corporate information is made available on the Company's website;
- (iv) Annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and
- (v) The Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

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

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

# Environmental, Social and Governance Report

## ABOUT THE REPORT

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

## REPORTING STANDARDS

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

## REPORTING YEAR

All the information in the ESG Report reflects the performance of the Group in environmental management and social responsibility from 1 January 2021 to 31 December 2021 (the “**Reporting Period**”). This ESG Report is released annually by the Group for public review so as to improve the transparency and responsibility of information disclosure.

## REPORTING SCOPE

The Group is a construction contractor in Hong Kong principally providing foundation and other construction works in Hong Kong. Based on the principle of materiality disclosure and reporting, this ESG Report covers the ESG performance of the headquarter in Hong Kong and several construction projects engaged in Hong Kong during the Reporting Period.

After the comprehensive completion of data collection system and the Group’s deepening in its ESG work, the Group has identified certain ESG issues relevant to the Group, which have been assessed by considering their materiality and importance to the Group’s principal activities, stakeholders as well as the Group. Those identified ESG issues and key performance indicators (“**KPIs**”) have been disclosed in the ESG Report.

## ESG GOVERNANCE

The Group has developed its internal strategies and policies with aims to create sustainable values to its stakeholders, thereby to large extent minimising the Group’s undue impact on the environment. In order to carry out the Group’s sustainability strategy from top to bottom, the Board has ultimate responsibilities for ensuring the effectiveness of the Group’s ESG policies.

The Group has established dedicated teams to manage ESG issues within each business division of the Group and kept monitoring and overseeing the progress against corporate goals and targets for addressing climate change. Dedicated teams with designated staff for management of ESG issues has been assigned to enforce and supervise the implementation of the relevant ESG policies cascading through the Group.

With the forward-looking guidance and well-designed plans of action to address underlying ESG matters, the management and responsible teams keep reviewing and adjusting the Group’s sustainability policies to satisfy the ever-changing needs of its stakeholders on a regular basis. For instance, through the assignment of the responsibility of progress tracking to different management-level positions, the Group is committed to achieving an excellent performance in ESG management while also remaining competitive compared with its peers. Details of the Group’s management approaches in both the environmental and social aspects are elaborated in different sections of this ESG report.



# Environmental, Social and Governance Report

## STAKEHOLDER ENGAGEMENT

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

The Group believes that effective feedback from stakeholders not only contributes to comprehensive and impartial evaluation of its ESG performance, but also enables it to improve its performance based on their feedback. Therefore, the Group has engaged in open and regular communication with its stakeholder groups including shareholders and investors, clients, employees, suppliers, sub-contractors and government. Over the years, the Group has continued to fine-tune its sustainability focus, addressing pressing issues. Stakeholders' expectations have been taken into consideration by utilizing diversified engagement channels as shown below:

### Stakeholders and Engagement Methods

Stakeholders	Interests and expectations	Engagement channels
<b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>• Return on investment</li> <li>• Corporate strategy and governance</li> <li>• Risk mitigation and management</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Interim and annual reports, corporate websites</li> <li>• Announcements, notices of meetings, circulars</li> </ul>
<b>Clients</b>	<ul style="list-style-type: none"> <li>• Robust project management</li> <li>• Full compliance with regulations</li> <li>• Sustainability performance of operations</li> </ul>	<ul style="list-style-type: none"> <li>• Interim and annual reports, corporate websites</li> <li>• Regular meetings and communication</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Remuneration, compensation and benefits</li> <li>• Occupational health and safety</li> <li>• Career development opportunities</li> <li>• Corporate culture and wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>• Provide leisure activities and increase cohesion</li> <li>• In-house training programmes</li> <li>• Performance reviews and appraisals</li> <li>• Promote career development and enhance competence at all levels</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Long-term partnership</li> <li>• Ethical business practices</li> <li>• Supplier assessment criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement processes</li> <li>• Audits and assessments</li> </ul>
<b>Sub-contractors</b>	<ul style="list-style-type: none"> <li>• Effective project management</li> <li>• Occupational health and safety</li> <li>• Ethical business practices</li> <li>• Sub-contractor's assessment criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Health, Safety and Environment seminars</li> <li>• Training sessions</li> <li>• Regular progress meetings</li> <li>• Audits and assessments</li> </ul>
<b>Government</b>	<ul style="list-style-type: none"> <li>• Laws and regulation compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Review latest laws regularly</li> <li>• Inspection</li> </ul>

# Environmental, Social and Governance Report

The Group will continuously maintain communication with stakeholders and collect opinions of stakeholders through different engagement channels. At the same time, the Group will enhance the reporting principles of quantification, balance and consistency, in order to define the content of the ESG Report and presentation of the information that is more in line with the expectations of stakeholders.

## Climate Change

Climate change is one of the most complicated challenges faced by mankind's in the new century. Global warming gives rise to more frequent extreme weather conditions including changes in precipitation mode, droughts, floods and bushfires. Rise in sea level will make tens of thousands of people in densely populated coastal areas and island countries homeless. Faced with all sorts of problems, individuals, corporations and governments must take immediate actions to tackle climate change.

Over-emission of greenhouse gases is the main factor in causing global climate change. To achieving a low carbon economy, the Group is committed to reducing its greenhouse gas emissions through the approaches of mitigation and adaptation. For example, the Group has strived to mitigate the risks brought by climate change through the adoption of various environmental policies and measures; and promoting energy saving measures and habits in office. The Group has also considered potential physical risks of climate change to its daily operation such as storms, fires or heatwaves and through implementation of the relevant protection measures to minimize the risks.

The Group are focused on reducing emissions in its operations, engaging suppliers to reduce emissions in supply chains, strengthening the resilience of its business and using its voice to advocate for collective action.

## ENVIRONMENT PROTECTION

### Emissions

#### Emissions from the course of operation

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

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

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

# Environmental, Social and Governance Report

## Emissions from vehicle usage

During the Group's operation in Hong Kong, the usage of private cars and light goods vehicles generate the emissions of nitrogen oxides ("NOx"), sulphur oxides ("SOx") and Particulate Matter ("PM"). The approximate amount of NOx, SOx and PM produced from the Group's operation in Hong Kong are shown in the following table:

## Air pollutants from vehicle usage

Types of key air pollutants	2021	2020
NOx emissions (tonnes)	0.30	0.23
SOx emissions (tonnes)	0.0007	0.0005
PM emissions (tonnes)	0.023	0.018

Compared to the last financial year, three types of emissions (NOx, SOx and PM) in 2021 has been increased slightly, mainly due to the number of vehicles has been increased. The Group would continue the work to become a low carbon organisation and target to remain the emission of air pollution lower than one tonne. Further action will be taken to reduce the environmental impact.

In respect of reducing the NOx, SOx and PM emissions, the Group has formulated and educated employees about the following measures so as to achieve the environmental friendly approach including (i) avoid peak hour traffic and (ii) encourage the use of public transport instead of private car.

## Greenhouse Gas ("GHG") Emissions

During the course of operations, there are GHGs emissions principally resulting from vehicle usage, electricity consumed and the use of electricity for processing fresh water and sewage water in Hong Kong's office and construction sites.

## Scope 1 – Combustion of fuels in mobile sources controlled by the Group

During the operations of the Group, there are GHGs emissions result from the intense usage of vehicles.

The Group strictly controls the emissions of GHG through the establishment of a comprehensive data collection system. This system helps the Group to monitor the monthly usage of vehicles to maintain the efficiency at a prominent level.

Compared to the last financial year, the total amount of GHG emissions has been increased slightly due to the increase of the usage of private cars.

# Environmental, Social and Governance Report

## Scope 2 – Electricity purchased from power companies

Apart from the direct emissions of PM and fumes, energy indirect emission also resulting from electricity consumed in the Hong Kong's office and construction sites.

## Scope 3 – Other indirect emissions

In the Hong Kong's office and construction sites, there are GHG emissions due to electricity used for processing fresh water and sewage by government departments and paper waste disposed at landfills.

The Group targets to maintain the low level of emissions in the future. In order to reduce GHG emissions, the Group would encourage to reduce the usage of private car for travel between construction sites and replace by public transportations.

The summary of GHG emissions from the operations are shown in the following table:

### Summary of GHG emissions

Types of GHG	2021 CO <sub>2</sub> equivalent emission	2020 CO <sub>2</sub> equivalent emission
Scope 1 – Direct emissions (tonnes)	115.03	81.74
Scope 2 – Energy indirect emissions (tonnes)	43.21	7.27
Scope 3 – Other indirect emissions (tonnes)	14.51	1.04
Total	172.75	90.05
Intensity of GHG emissions per number of employees (tonnes)	6.9	3.6

The Group has initiated a target of 3% emission reduction in term of intensity in coming 5 years, using this Reporting Year as a baseline.

### Hazardous waste emissions

Due to the business nature, the Group's operation does not directly generate any material hazardous waste.

# Environmental, Social and Governance Report

## Non-hazardous waste emissions

For the provision of foundation services, the Group has produced some non-hazardous solid waste during the operation. The inert Construction and Demolition (“C&D”) material is disposed through logistic service provider trucks that is authorized by Environmental Protection Department of Hong Kong Government (“EPD”). The waste is disposed at public filling areas whereas the non-inert and mixed C&D waste are disposed at three strategic landfills. With the logistic service provider that is authorized by EPD to handle inert C&D material, illegal dumping can be prohibited. The figures of non-hazardous waste produced are shown as followings:

Non-hazardous solid waste	2021 Volume	2020 Volume
Mixed C&D waste disposal at government waste disposal facilities (tonnes)	87	13
Inert C&D waste disposal at government waste disposal facilities (tonnes)	12,882	9,724
Non-inert C&D waste disposal at government waste disposal facilities (tonnes)	–	6
Total	12,969	9,743
Intensity of total non-hazardous waste produced per number of employees	519	390

According to the figures above, inert C&D waste produced have increased significantly when comparing with last financial year’s figure. The reason is that the Group has performed more excavation works during the Reporting Period and lead to more C&D waste produced.

The Group is dedicated to proper management of the non-hazardous waste. Specific area at the site is assigned for the temporary storage of non-hazardous waste. The waste is then gathered by logistic service provider that is authorized by EPD and delivered to the public landfills.

To reduce the production of non-hazard waste in construction sites in the future, the Group plans to re-use excavated materials for backfilling slope stabilization and reclamation. The Group targets to reduce 5% of the non-hazardous waste produced from construction sites over five years compare with 2020.

## Use of Resources

The Group adheres to the concept of energy conservation and emission reduction for green production. The major resources used by the Group are principally electricity and water consumed in office and various project sites in Hong Kong. Besides, petrol and diesel are non-renewable fuel that consumed by the Group. The Group aims to improve the energy utilization efficiency to achieve low-carbon practices and emission reduction throughout the operation, and strives to save the resources.

The Group records and analyzes the water consumption regularly. After identifying the causes of high rates of water consumption, the Group will take remedial action to minimise water use. Throughout the years, the Group put forth a strong emphasis on minimizing the usage of electricity and water during the Group’s daily operations.

# Environmental, Social and Governance Report

The total water consumption in cubic metres and intensity during the Reporting Period are shown in the table below:

<b>Water Consumption</b>	<b>2021</b>	<b>2020</b>
Total water consumption (cubic metres)	23,266	12.9
Intensity of total water consumption per number of employees (cubic metres)	930.64	0.52

Compared to the last financial year, the total water consumption has increased from 12.9 cubic metres to 23,266 cubic metres. The Group would conduct regular water consumption analysis and the internal training that create a sense of urgency to all staff about the monitoring of water usage. The Group will keep on performing current works and strive to remain the intensity at a low level.

## Energy consumption

The major energy consumed by the Group are non-renewable fuel ("**NRF**") (direct) including diesel and petrol and purchase of energy in the form of electricity.

The Group determines to maximize energy conservation in its office by promoting efficient use of power and adopting green technologies. For instance, the Group continues to upgrade its equipment by purchasing electrical appliances with high efficient energy label, lighting and air-conditioning systems in order to increase energy efficiency. Air-conditioning systems can be adjusted to a specific temperature, which allows the users to set at a comfortable temperature and avoid power waste.

To identify energy saving opportunities, the Group measures and records the energy consumption level from time to time. The total electricity consumption in kilowatt hour (kWh) and intensity are shown in the table below:

<b>Energy Consumption</b>	<b>2021</b>	<b>2020</b>
Purchase of energy (kWh)	86,422	14,532
NRF consumed (kWh)	450,690	317,008
<hr/>		
Total energy consumption (kWh)	537,112	331,540
<hr/>		
Intensity of total energy per number of employees (kWh)	21,484	13,262

The energy consumption has increased from 331,540 kWh to 537,112 kWh, which is due to more construction site has been worked by the Group. The Group believes the energy conservation norm has been developed among all staff through the internal training. During the Reporting Period, the Group strictly implements the energy conservation guideline. The Group has initiated a target of 3% emission reduction in term of intensity in coming 5 years, using this Reporting Year as a baseline.

# Environmental, Social and Governance Report

## THE ENVIRONMENT AND NATURAL RESOURCES

To develop a green approach at the project sites and office, the Group has set up various environmental system management practices as part of its effort to develop an environmental management system that supports sustainable development.

By the implementation of ISO9001 Quality Management System, the management is responsible for monitoring the operation in projects sites are under ISO9001 Quality Management System. The Group has given careful consideration to minimize all significant impact on the environment resources. Environmental performance is monitored on a timely basis.

### Implemented practice

- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce power consumption
- Maximize the use of nature light and energy-saving lighting systems
- Apply optimal temperature setting of air-conditioning
- Encourage duplex printing
- Reuse of single-side used paper

As a socially responsible enterprise, protecting nature and the environment has become an integral part of the Group's corporate culture/important value, the Group constantly looks for ways to maximize benefits with minimal resource consumption and environmental impact, and continue to strive for sustainable development.

### Packaging material

Due to the business nature, the Group does not produce any finished products during the Reporting Period. Therefore, the Group does not consume significant amounts of package materials for product packaging.

## PEOPLE

### Employment

The Group reckons that employees are the most valuable assets of an enterprise and also the cornerstone for sustaining corporate development. It is always the Group's initiative to provide a fair and competitive compensation package to attract and retain quality talents, in the form of a basic salary, incentives bonus, mandatory provident fund, and other fringe benefits. Remuneration packages are reviewed periodically. The Group also has a set of comprehensive human resources management policy to support human resources function. The policies include compensation and benefits, working hours and holidays, recruitment and selection, performance management, promotion, employment termination, training and development.

As the Group is principally engaged in construction related works, manual work is generally required in most positions. Hence, the ratio of the number of male to female employees is approximately 11.5 to 1 (2020: 11.5:1). However, the Group aims to refrain from any form of harassment and discrimination with respect to age, gender, race, nationality, religion, marital status or disability in the workplace via implementation of human resources management policy. The above measures have helped ensuring that every employee is treated equally and fairly.

# Environmental, Social and Governance Report

The Group has always strictly observed the relevant legislations in Hong Kong regarding the equal employment opportunities, child labour and forced labour. The Group abides by the employment regulations, relevant policies and guidance of the relevant jurisdictions where it operates, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Chapter 59Z of the Laws of Hong Kong) and etc. in Hong Kong.

The Group has its internal procedures to record employees' information in order to review employment practices regularly so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment process during recruitment to ensure no employment of child labour and forced labour in any form.

The Group also strives to establish harmonious labour relationships and create a happy working environment, promote a positive and healthy lifestyle, and lift the spirit of local workforce, encourage and strengthen internal communication through organising diversified employee activities.

During the Reporting Period, all staff are full-time employee and work in Hong Kong.

## Employment Key Performance Indicators (Employee)

### Total workforce structure as at 31 December 2021

Gender	Age			Number of employees by gender	Total number of employees	2021 ratio of number of male to female employees	2020 ratio of number of male to female employees
	below 30	30–50	over 50				
Male	1	8	14	23	25	11.5:1	11.5:1
Female	–	1	1	2			
<b>Total</b>	<b>1</b>	<b>9</b>	<b>15</b>	<b>25</b>			

### Employees recruited in the Reporting Period

Gender	Age			Number of new recruits by gender	Total number of new recruits	2021 percentage of new recruits to total number of employees	2020 percentage of new recruits to total number of employees
	below 30	30–50	over 50				
Male	2	13	12	27	27	108%	12%
Female	–	–	–	–			
<b>Total</b>	<b>2</b>	<b>13</b>	<b>12</b>	<b>27</b>			



# Environmental, Social and Governance Report

## Employee turnover in the Reporting Period

Gender	Age below 30	Age 30–50	Age over 50	Staff turnover by gender	Total staff turnover	2021	2020
						Ratio of employee turnover to total number of employees	Ratio of employee turnover to total number of employees
Male	–	4	23	27	27	108%	4%
Female	–	–	–	–			
<b>Total</b>	<b>–</b>	<b>4</b>	<b>23</b>	<b>27</b>			

## Health and Safety

The Group is an investment holding company incorporated in the Cayman Islands whilst its headquarters is located in Hong Kong. The nature of its daily operation is mainly office-based where the safety risk is limited. The Hong Kong headquarters has been equipped with fire-fighting facilities including fire extinguishers and participates in the fire drill organized by the building regularly.

The Group is committed to providing and maintaining a safe and healthy working environment for the employees and ensuring the safety of others affected by the Group's operation. The Group strictly requires employees to comply with the company safety policy and guidelines which clearly specify work flows, all kinds of safety measures and guidance as well as employees' responsibilities for their health and safety at our workplace.

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

For employees that work station is mainly based in the project site, the Group provides "site specific induction training" to the employee before commencing their work at the project site in accordance with the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) and the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong). Thereafter, they are given refresher talks regularly depending on the amount of changes to the site condition. The Group also provides tool-box talks, aiming to heighten employees' awareness of workplace hazards and the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong).

In order to deal with the outbreak of COVID-19, the Group has implemented several measures including but not limited to requiring daily health declaration to prevent the spread of virus and all people are required to take body temperature before entering the office area.

Every case of injury (if any) is required to be reported to the Group and be assessed individually under the internal guideline procedures set. Subsequently, the Group follows the procedures in accordance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). The Group is pleased to report that the rate of accidents and injuries during the Reporting Period was extremely low with zero fatal accident (2020: Nil).

# Environmental, Social and Governance Report

## Health and Safety Key Performance Indicators (Employee)

	2021	2020	2019
Number of work injuries	–	–	2
Rate of work injury (per hundred employees)	–	–	8.7
Number of loss days due to work injuries	–	37 <sup>2</sup>	N/A <sup>1</sup>

Note 1: The Group had not developed any mechanism for collecting these information in 2019.

Note 2: The number of loss days due to work injuries in 2020 is because of the work injury happened in 2019.

## Development And Trainings

The Group recognizes the importance of skilled and professionally trained employees to its business growth and future success. Therefore, the Group encourages them to participate in personal development and job-related training courses. During the Reporting Period, the Group formulates quality management training programs to update our staff with the most updated standard of ISO9001, in order to maintain the highest standard of professionalism by its employees. This program includes quality assurance training in operation process and inspection assurance of materials received from supplier.

In daily operation, the Group provides induction training for new employees, experienced employees act as mentors to guide newcomers. The Group believes such arrangement can be the best practice to facilitate communication and team spirit, as well as improve technical skills and managerial capability and encourage the learning and further development of employees at all levels.

The Group will continue to intensify its efforts to promote staff training programs which the Group believes that by means of offering comprehensive training opportunities, it could help providing the necessary protection for talent reserves for corporate development. The Group evaluates the training needs of its employees annually to ensure that employees are offered with suitable and appropriate training according to their job nature and position.

## Training and Development Key Performance Indicators (Employee)

Trained staff	Senior managerial level <sup>3</sup>	Managerial level <sup>3</sup>	General staff <sup>3</sup>	Percentage	2021 Overall percentage of employees trained <sup>4</sup>	2020 Overall percentage of employees trained <sup>4</sup>
				of employees receiving training by gender <sup>4</sup>		
Male	100%	–	–	4%	4%	12%
Female	–	–	–	–		
	100%	–	–			

Note 3: Percentage of employees trained in the relevant categories = Employees in the category who took part in training/Number of employees in category x 100

Note 4: Percentage of employees trained = Employees who took part in training/Number of employees x 100

# Environmental, Social and Governance Report

Average training hours	Senior managerial level <sup>5</sup>	Managerial level <sup>5</sup>	General staff <sup>5</sup>	Average training hours by gender <sup>5</sup>	2021 Overall average training hours <sup>6</sup>	2020 Overall average training hours <sup>6</sup>
Male	1 hour	–	–	0.04 hour	0.04 hour	0.12 hour
Female	–	–	–	–		
	1 hour	–	–			

Note 5: Average training hours = Total number of training hours of category/Number of employees in the category.

Note 6: Average training hours per employee = Total number of training hours/Total number of employees

Due to the impact of COVID-19, many enrolled training courses had been postponed or cancelled to reduce the social distance.

## LABOUR STANDARDS

The Group always respects and strictly complies with all applicable national laws and local regulations as well as relevant labour laws and regulations in the place where it operates, including the Policy of Employment of Children under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The Group has also developed rigorous and systematic measures for recruitment and selection, to prevent itself from illegally hiring child labour and ensure that the employment is in compliance with relevant laws and regulations.

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

During the Reporting Period, the Group has not identified any material non-compliance with relevant laws and regulations in respect of the prevention of child labour and forced labour that would result in material impact to the Group.

## Supply Chain Management

The Group implements supplier management in accordance with internal guidance which governs the engagement of suppliers/subcontractors. Suppliers/Subcontractors are chosen subjecting to screening and evaluation procedures among the suppliers/subcontractors, based on the quality and price. Also, to ensure suppliers/subcontractors capability in quality assurance, safety and environmental responsibility, field visit and investigation is conducted, which includes a comprehensive quality management system and are accredited with ISO9001 standards. The investigation reviews the production capacity, technology level, quality assurance capabilities, supply capacity, safety and environment management qualifications if needed. Only the highly qualified suppliers/subcontractors complied with regulatory requirements are eligible for the supplier/subcontractor selection by the Group. The Group also carries out regular assessment on suppliers'/subcontractors' overall capabilities, assets position, nature of business, reputation in the industry, quality of products, goods delivery and compliance with law and regulations.

# Environmental, Social and Governance Report

As customers are becoming more concerned about environmental issues and stress the importance of using environmentally friendly materials. The Group will continue to act as a corporate citizen in communicating and stressing those environmental issues to the suppliers. Supplier's service or product with minimal adverse environmental impacts would be one of the significant considerations for the Group to select new supplier.

Each subcontractor and supplier are reviewed after completion of their contracts. In cases of major non-performance of approved subcontractor or supplier, the Group will review their suitability to remain on the approved list.

## Number of critical suppliers cooperated with the Group during the Reporting Period

Region	2021	2020
Hong Kong	232	225

## PRODUCT AND SERVICE RESPONSIBILITY

The Group is committed to providing high-quality services and guarantees that the quality of Group's projects is in line with industry standards and sustainability requirements. The Group also pursue to meet higher criteria all the time.

The Group has always been focusing on quality control in project construction since its incorporation. In respect of human resources, the Group has a team of project managers with rich experience in undertaking various pile work construction projects. In respect of systems, the Group owns a quality management system in accordance with the ISO9001 standard, which establishes the procedure to manage the non-conformity detected during construction process. When non-conforming work is identified, the Group will review the situation and stop these below standard works from continuing or re-occurring. If the defect is likely to recur, the Group will require remedial action that made by the subcontractor and shall more closely supervise these works whenever practicable. The Group also carry out trainings and established a management system covering various aspects including management of quality of construction staff, quality control on raw material, site management and quality management system, so as to ensure the timely and efficient completion of our projects. During the Reporting Period, no remarkable complaint received regarding the services provided by the Group.

During the Reporting Period, due to the business nature of the Group, there were no recalls concerning the provision and use of products for safety and health reasons within the Group. Besides, there were no substantiated complaints received relating to the provision and use of products and services that have a significant impact on the Group's operations.

## PROTECTION OF INTELLECTUAL PROPERTY RIGHT AND CONSUMER PRIVACY

The Group recognises the importance of the protection over intellectual property right and consumer privacy. Proper licences for software and information are obtained by the Group to use in its business operation.

Meanwhile, the Group handles all information provided by clients, employees and business partner in accordance with Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and related laws and regulations to ensure those information is under proper protection.

# Environmental, Social and Governance Report

## ANTI-CORRUPTION

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

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

The Group has whistle-blowing procedures in effect, encouraging the employees to report directly to the Chairman of the Audit Committee for any misconduct and dishonest behaviour, such as bribery, fraud and other offences. Furthermore, the Group has specified in the Employee Handbook that the Group is entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserve the right to take further actions against such person.

The Group plans to host regular trainings delivered by representatives from regulators and professionals to all Directors and employees in regards to anti-corruption policies and procedures so to maintain employees' awareness on anti-corruption best practices.

During the Reporting Period, the Group complied with the relevant laws and regulations regarding anti-corruption and money laundering and had no concluded legal case regarding corrupt practices brought against the issuer or its employees (2020: Nil).

## COMMUNITY INVESTMENT

The Group understands well of the importance for making positive contribution to the community where it operates and considers community benefits as one of its social responsibility. The Group considers that enterprises and communities are inseparable as a whole. Enterprise development has played a leading role in the economic and social development of the community, such as providing employment opportunities and increasing taxes. At the same time, enterprise development is also inseparable from community's support and help. In order to better fulfil its social responsibilities, the Group is very concerned about environmental and health issues and sponsors relevant activities or organisations when necessary.

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

# Environmental, Social and Governance Report

Environmental and social performance indicators have been summarized in the following tables.

## Environmental performance indicators

### Aspect A1: Emissions

Performance indicator		2021 Data	2020 Data	The Stock Exchange ESG Reporting Guide KPI
<b>Emission</b>	Total NOx emissions (tonnes)	0.30	0.23	KPI A1.1
	Total SOx emissions (tonnes)	0.0007	0.0005	KPI A1.1
	Total PM emissions (tonnes)	0.023	0.018	KPI A1.1
	Total GHGs emissions – scope 1 (tonnes)	115.03	81.74	KPI A1.2
	Total GHGs emissions – scope 2 (tonnes)	43.21	7.27	KPI A1.2
	Total GHGs emissions – scope 3 (tonnes)	14.51	1.04	KPI A1.2
	Intensity of GHG per number of employee (tonnes)	6.9	3.6	KPI A1.2
<b>Non-hazardous waste</b>	Mixed construction & demolition waste (tonnes)	87	13	KPI A1.4
	Inert construction & demolition waste (tonnes)	12,882	9,724	KPI A1.4
	Non-inert construction & demolition waste (tonnes)	–	6	KPI A1.4
	Intensity of total Non-hazardous waste produced per number of employee (tonnes)	519	390	KPI A1.4

### Aspect A2: Use of resources

Performance indicator		2021 Data	2020 Data	The Stock Exchange ESG Reporting Guide KPI
Energy	Total energy consumption (kWh)	537,112	331,540	KPI A2.1
	Intensity of total energy consumption per number of employees (kWh)	21,484	13,262	KPI A2.1
Water	Total water consumption (cubic metres)	23,266	12.9	KPI A2.2
	Intensity of total water consumption per number of employees (cubic metres)	930.64	0.52	KPI A2.2

# Environmental, Social and Governance Report

## Social performance indicators

### Aspect B1: Employees

Performance indicator	2021 Data	2020 Data	The Stock Exchange ESG Reporting Guide KPI
<b>Number of employees</b>			KPI B1.1
By gender:			
– Male	23	23	
– Female	2	1	
By age			KPI B1.1
– Age below 30	1	5	
– Age 30–50	9	7	
– Age over 50	15	13	
<b>Employee turnover</b>			KPI B1.2
By gender			
– Male	27	1	
– Female	–	–	
By age			KPI B1.2
– Age below 30	–	1	
– Age 30–50	4	–	
– Age over 50	23	–	

### Aspect B2: Health and safety

Performance indicator	2021 Data	2020 Data	2019 Data	The Stock Exchange ESG Reporting Guide KPI
Number of work injuries	–	–	2	KPI B2.1
Rate of work injury (per hundred employees)	–	–	8.7	KPI B2.1
Number of loss days due to work injuries	–	37	N/A	KPI B2.2

# Environmental, Social and Governance Report

## Aspect B3: Development and training

Performance indicator		2021 Data	2020 Data	The Stock Exchange ESG Reporting Guide KPI
<b>The percentage of employees receiving training</b>	By gender			KPI B3.1
	- Male	4%	13%	
	- Female	-	-	
	By category			
	- Senior managerial level	100%	-	
	- Managerial level	-	33%	
- General staff	-	6%		
<b>Average training hours completed</b>	By gender			KPI B3.2
	- Male (hours)	0.04	0.13	
	- Female (hours)	-	-	
	By category			
	- Senior managerial level (hours)	1	-	
	- Managerial level (hours)	-	0.42	
- General staff (hours)	-	0.03		

## Aspect B5: Supply Chain Management

Performance indicator		2021 Data	2020 Data	The Stock Exchange ESG Reporting Guide KPI
<b>Number of Supplier by geographical region</b>	By gender			KPI B5.1
	- Hong Kong	232	225	



# Independent Auditors' Report



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

## TO THE MEMBERS OF BASETROPHY GROUP HOLDINGS LIMITED

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

### OPINION

We have audited the consolidated financial statements of Basetrophy Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 61 to 113, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“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 (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

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

# Independent Auditors' Report *(continued)*

## KEY AUDIT MATTERS *(continued)*

### Key audit matter

### How our audit addressed the key audit matter

#### *Recognition of revenue and costs from construction contracts and contract assets*

Refer to Note 2.19, Note 5, Note 6 and Note 19 to the consolidated financial statements

We identified recognition of revenue and costs from construction contracts and contract assets as a key audit matter as significant management's estimations and judgements are involved in the determination of the outcome of construction contracts and the progress towards completion of construction works.

Our audit procedures in relation to recognition of revenue and costs from construction contracts and contract assets mainly included:

- Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management;
- Understanding from management about how the budgets were prepared and the respective progress towards completion of construction works were determined;
- Evaluating the reasonableness of progress towards completion of construction works by obtaining the certificates issued by customers or payment applications confirmed by internal surveyor;
- Testing the actual costs incurred on construction works;
- Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of similar contracts; and
- Assessing the appropriateness and sufficiency of the disclosures made in the consolidated financial statements.

# Independent Auditors' Report *(continued)*

## KEY AUDIT MATTERS *(continued)*

### Key audit matter

### How our audit addressed the key audit matter

#### *Impairment assessment of trade receivables and contract assets*

Refer to Note 2.8, Note 3.1(ii), Note 18 and Note 19 to the consolidated financial statements

We identified impairment assessment of trade receivables and contract assets as a key audit matter due to the involvement of subjective judgement and estimates of the management of the Group in determining the expected credit losses ("ECL") of the Group's trade receivables and contract assets at the end of the reporting period.

Our audit procedures in relation to impairment assessment of trade receivables and contract assets mainly included:

- Discussing with management on the estimation involved in determining the amount of expected credit loss allowance regarding the trade receivables and contract assets;
- Testing the working paper files prepared by management's expert to calculate the expected credit loss and checking the information included in the working paper files;
- Engaging a valuation expert to assist us to assess the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses by the management's expert; and
- Assessing the adequacy of the Group's disclosures about the expected credit loss allowance regarding trade receivables and contract assets in the consolidated financial statements.

# Independent Auditors' Report *(continued)*

## **OTHER INFORMATION**

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

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

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

## **RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

## **AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

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

# Independent Auditors' Report *(continued)*

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

# Independent Auditors' Report *(continued)*

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Kwok Kin Leung.

### **HLB Hodgson Impey Cheng Limited**

*Certified Public Accountants*

### **Kwok Kin Leung**

Practising Certificate Number: P05769

Hong Kong, 22 April 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Revenue	<i>5</i>	<b>88,812</b>	109,067
Cost of sales	<i>6</i>	<b>(77,899)</b>	(101,769)
Gross profit		<b>10,913</b>	7,298
Other income and other gain	<i>5</i>	<b>4,509</b>	3,290
Administrative and other operating expenses	<i>6</i>	<b>(10,718)</b>	(9,399)
Net impairment losses on financial and contract assets	<i>3.1(ii)</i>	<b>(2,742)</b>	(1,244)
Operating profit/(loss)		<b>1,962</b>	(55)
Finance costs	<i>9</i>	<b>(826)</b>	(819)
Profit/(loss) before income tax		<b>1,136</b>	(874)
Income tax (expense)/credit	<i>10</i>	<b>(550)</b>	1,361
Profit and total comprehensive income for the year attributable to owners of the Company		<b>586</b>	487
Basic and diluted earnings per share (HK cent)	<i>11</i>	<b>0.06</b>	0.05

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

# Consolidated Statement of Financial Position

As at 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>14</i>	<b>13,509</b>	7,482
Right-of-use assets	<i>15</i>	<b>347</b>	14,098
Payment for a life insurance policy	<i>17</i>	<b>2,745</b>	2,650
		<b>16,601</b>	24,230
<b>Current assets</b>			
Trade and other receivables	<i>18</i>	<b>17,642</b>	20,469
Contract assets	<i>19</i>	<b>64,562</b>	63,273
Cash and bank balances	<i>20</i>	<b>4,352</b>	5,423
		<b>86,556</b>	89,165
<b>Total assets</b>		<b>103,157</b>	113,395
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	<i>21</i>	<b>11,000</b>	10,000
Reserves		<b>55,249</b>	51,495
<b>Total equity</b>		<b>66,249</b>	61,495



# Consolidated Statement of Financial Position *(continued)*

As at 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>23</i>	–	949
Lease liabilities	<i>15</i>	<b>136</b>	767
Deferred tax liabilities	<i>24</i>	<b>1,372</b>	1,297
		<b>1,508</b>	3,013
<b>Current liabilities</b>			
Trade and other payables	<i>25</i>	<b>23,764</b>	30,807
Tax payable		<b>475</b>	–
Borrowings	<i>23</i>	<b>10,947</b>	12,894
Lease liabilities	<i>15</i>	<b>214</b>	5,186
		<b>35,400</b>	48,887
<b>Total liabilities</b>		<b>36,908</b>	51,900
<b>Total equity and liabilities</b>		<b>103,157</b>	113,395
<b>Net current assets</b>		<b>51,156</b>	40,278
<b>Total assets less current liabilities</b>		<b>67,757</b>	64,508

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 April 2022 and are signed on its behalf by:

**Mr. Lau Chung Ho**  
*Director*

**Mr. Leung Yat Fai Frankie Keith**  
*Director*

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company				Total equity HK\$'000
	Share capital HK\$'000 (Note 21)	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained earnings HK\$'000	
Balance at 1 January 2020	10,000	44,049	1	6,958	61,008
Profit and total comprehensive income for the year	-	-	-	487	487
Balance at 31 December 2020 and 1 January 2021	<b>10,000</b>	<b>44,049</b>	<b>1</b>	<b>7,445</b>	<b>61,495</b>
Profit and total comprehensive income for the year	-	-	-	<b>586</b>	<b>586</b>
Issue of shares by way of placing	<b>1,000</b>	<b>3,168</b>	-	-	<b>4,168</b>
Balance at 31 December 2021	<b>11,000</b>	<b>47,217</b>	<b>1</b>	<b>8,031</b>	<b>66,249</b>

Note:

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

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations and operating activities	<i>26</i>	<b>7,017</b>	9,583
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		<b>(55)</b>	(2,956)
Proceeds from disposal of property, plant and equipment		<b>4,782</b>	–
Net cash generated from/(used in) investing activities		<b>4,727</b>	(2,956)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares by way of placing		<b>4,168</b>	–
Repayment of lease liabilities		<b>(5,153)</b>	(3,484)
Drawdown of other borrowing		–	1,910
Repayment of other borrowing		<b>(961)</b>	–
Drawdown of bank borrowings		<b>41,724</b>	25,536
Repayment of bank borrowings		<b>(51,767)</b>	(31,476)
Interest paid on lease liabilities		<b>(361)</b>	(209)
Interest paid on bank and other borrowings		<b>(465)</b>	(610)
Net cash used in financing activities		<b>(12,815)</b>	(8,333)
<b>Net decrease in cash and cash equivalents</b>		<b>(1,071)</b>	(1,706)
Cash and cash equivalents at beginning of year		<b>5,423</b>	7,129
<b>Cash and cash equivalents at end of year</b>	<i>20</i>	<b>4,352</b>	5,423

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 1 GENERAL INFORMATION AND BASIS OF PRESENTATION

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

The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and the Company’s principal place of business is Unit 18, 29th Floor, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) is principally engaged in provision of foundation and related works.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 22 April 2022.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for the financial assets at fair value through profit or loss.

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.1 Basis of preparation *(continued)*

#### 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:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*.

The application of the 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.

#### Impacts on application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions and early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions* for the first time and early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* ("HKFRS 16") if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Group's financial positions and performance in the current and prior years.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.1 Basis of preparation *(continued)*

#### **New and amendments to HKFRSs in issue but not yet effective**

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

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

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

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

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

#### 2.2.2 Separate financial statements

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

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.3 Segment reporting

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

### 2.4 Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

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

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

#### (c) Group companies

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

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



# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.5 Property, plant and equipment

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

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

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

Machinery and equipment	10%–20%
Leasehold improvements	Over lease term
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

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

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

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

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

### 2.6 Impairment of non-financial assets

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.7 Leases

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

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.7 Leases *(continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.8 Financial assets

#### Classification

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

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

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

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

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

#### Recognition and derecognition

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

#### Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.8 Financial assets *(continued)*

#### Measurement *(continued)*

##### **Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

##### **Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

##### **Impairment**

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

### **2.9 Trade and other receivables**

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

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

### **2.10 Cash and cash equivalents**

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

### **2.11 Share capital**

Ordinary shares are classified as equity.

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

### **2.12 Trade and other payables**

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

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

### **2.13 Borrowings**

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

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.14 Borrowing costs

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

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

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

### 2.15 Current and deferred income tax

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

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

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

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

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.16 Employee benefits

#### (i) Employee leave entitlements

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

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

#### (ii) Retirement benefits

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

#### (iii) Termination benefits

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

#### (iv) Bonus plans

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

### 2.17 Provisions

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

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

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



# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.18 Contingent liabilities and contingent assets

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

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

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

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

### 2.19 Revenue recognition

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.19 Revenue recognition *(continued)*

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

#### ***Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation***

##### *Output method*

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

##### ***Variable consideration***

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

##### ***Costs to fulfil a contract***

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.20 Dividend distribution

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

### 2.21 Related parties

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

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

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.22 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### 2.23 Government grants

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

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

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

#### (i) Market risk

##### *Foreign exchange risk*

The majority of the Group's transactions are denominated in HK\$ except for certain bank balances and payment for a life insurance policy which are denominated in US\$. Since HK\$ is pegged to US\$, the Group has limited exposure to foreign exchange risk.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1 Financial risk factors *(continued)*

#### (i) Market risk *(continued)*

##### **Interest rate risk**

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

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

As at 31 December 2021, if the interest rate on all variable-rate borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after income tax for the year would have been decreased/increased by approximately HK\$40,000 (2020: profit after income tax for the year would have been increased/decreased by approximately HK\$29,000), mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

#### (ii) Credit risk

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

In respect of cash at banks, the credit risk is considered to be low as the counterparties are reputable banks. Therefore, expected credit loss rate of cash at banks are assessed to be close to zero and no provision was made.

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

As at 31 December 2021, there were three (2020: two) customers which individually contributed over 10% of the Group's trade receivables and contract assets. The aggregate amounts of trade receivables and contract assets from these customers amounted to 64% (2020: 60%) of the Group's total trade receivables and contract assets as at 31 December 2021.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1 Financial risk factors *(continued)*

#### (ii) Credit risk *(continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
In default	There is evidence indicating the asset is credit impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been assessed individually with significant balances and the remaining balances are grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information. The Group also makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1 Financial risk factors *(continued)*

#### (ii) Credit risk *(continued)*

The table below detail the credit risk exposures, which represent the gross carrying amount at the end of the reporting period, of the Group's financial assets and other item which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m ECL or lifetime ECL	2021 HK\$'000	2020 HK\$'000
<b>Financial assets at amortised cost</b>						
Trade receivables	18	N/A	Performing	Lifetime ECL – not credit-impaired	4,228	16,771
		N/A	In default	Lifetime ECL – credit-impaired	4,369	842
					<b>8,597</b>	17,613
Other receivables	18	N/A	Performing	12m ECL	1,422	1,600
Bank balances	20	A1 to Aa1	N/A	12m ECL	4,342	5,413
<b>Other item</b>						
Contract assets	19	N/A	Performing	Lifetime ECL – not credit-impaired	50,772	52,662
		N/A	Doubtful	Lifetime ECL – not credit-impaired	17,302	11,130
					<b>68,074</b>	63,792

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1 Financial risk factors *(continued)*

#### (ii) Credit risk *(continued)*

The loss allowance for trade receivables and contract assets were determined as follows:

	<b>Weighted average expected credit loss rate</b>	<b>Gross carrying amount HK\$'000</b>	<b>Expected credit loss HK\$'000</b>	<b>Net carrying amount HK\$'000</b>
<b>At 31 December 2021</b>				
<b>Trade receivables</b>				
Provision on individual basis	9.54%	8,597	820	7,777
<b>Contract assets</b>				
Provision on individual basis	5.16%	68,074	3,512	64,562

#### **At 31 December 2020**

##### **Trade receivables**

Provision on individual basis	6.08%	17,613	1,071	16,542
-------------------------------	-------	--------	-------	--------

##### **Contract assets**

Provision on individual basis	0.81%	63,792	519	63,273
-------------------------------	-------	--------	-----	--------



# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1 Financial risk factors *(continued)*

#### (ii) Credit risk *(continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets:

	Trade receivables		Contract	Total
	Lifetime ECL – not credit- impaired	Lifetime ECL – credit- impaired	assets Lifetime ECL – not credit- impaired	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2020	21	–	325	346
Transfer to credit-impaired	(21)	21	–	–
Impairment losses recognised	229	821	472	1,522
Impairment losses reversed	–	–	(278)	(278)
As at 31 December 2020 and 1 January 2021	<b>229</b>	<b>842</b>	<b>519</b>	<b>1,590</b>
Transfer to credit-impaired	<b>(89)</b>	<b>89</b>	–	–
Impairment losses recognised	<b>2</b>	<b>176</b>	<b>3,393</b>	<b>3,571</b>
Impairment losses reversed	<b>(141)</b>	<b>(288)</b>	<b>(400)</b>	<b>(829)</b>
As at 31 December 2021	<b>1</b>	<b>819</b>	<b>3,512</b>	<b>4,332</b>

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group assessed the 12m ECL of the other receivables and considered that the ECL allowance for these receivables is immaterial.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1 Financial risk factors *(continued)*

#### (iii) Liquidity risk

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

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

	<b>On demand or within one year</b> HK\$'000	<b>Between one and two years</b> HK\$'000	<b>Between two and five years</b> HK\$'000	<b>Total</b> HK\$'000
<b>At 31 December 2021</b>				
Trade and other payables	<b>23,764</b>	–	–	<b>23,764</b>
Borrowings	<b>10,982</b>	–	–	<b>10,982</b>
Lease liabilities	<b>229</b>	<b>143</b>	–	<b>372</b>
	<b>34,975</b>	<b>143</b>	–	<b>35,118</b>
<b>At 31 December 2020</b>				
Trade and other payables	30,807	–	–	30,807
Borrowings	13,126	983	–	14,109
Lease liabilities	5,311	442	352	6,105
	49,244	1,425	352	51,021

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### 3.2 Capital management

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

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

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

The gearing ratios of the Group are as follows:

	2021 HK\$'000	2020 HK\$'000
Total interest-bearing liabilities	11,297	19,796
Total equity	66,249	61,495
Gearing ratio	17%	32%

### 3.3 Fair value estimation

#### (i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

	Note	2021 HK\$'000	2020 HK\$'000
<b>Level 3</b>			
<b>Recurring fair value measurements</b>			
Payment for a life insurance policy	17	2,745	2,650

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 3 FINANCIAL RISK MANAGEMENT *(continued)*

### 3.3 Fair value estimation *(continued)*

#### (i) Fair value hierarchy *(continued)*

There were no transfers between levels 1, 2 and 3 during the year.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

#### (ii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year:

	2021 HK\$'000	2020 HK\$'000
Opening balance	2,650	2,571
Fair value change	95	79
Closing balance	2,745	2,650

The fair value of the life insurance policy is determined based on the cash value of the life insurance policy which is not an observable input. Management estimates the fair value based on the latest information of the life insurance policy provided by insurance company.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### (a) Impairment assessment of trade receivables and contract assets

The loss allowances for trade receivables and contract asset are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

### (b) Progress towards completion of construction works

The Group recognises its contract revenue over time by reference to the progress towards complete satisfaction of a performance obligation of the end of the reporting period, measured based on the surveys of work performed to date of the individual contract of construction works relative to total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

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

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

	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>		
Foundation and related works <i>(Note a)</i>	<b>88,812</b>	109,067
<b>Other income and other gain</b>		
Fair value change on assets at fair value through profit or loss	<b>95</b>	79
Gain on disposal of property, plant and equipment	<b>2,511</b>	–
Gain on early termination of lease	<b>14</b>	–
Government grants <i>(Note b)</i>	–	1,177
Rental income	<b>1,889</b>	2,014
Others	–	20
	<b>4,509</b>	3,290

Notes:

- a Related works included site formation works and other geotechnical engineering works.
- b During the year ended 31 December 2020, the Group recognised the subsidies of approximately HK\$1,177,000 in relation to Construction Industry Anti-epidemic Fund launched by the Construction Industry Council, a subsidy for registered owners of goods vehicles provided by Transport Department and Employment Support Scheme for Regular Employees and Construction Sector (Casual Employees) under Anti-epidemic Fund provided by the Government of Hong Kong Special Administrative Region as part of the relief measures on COVID-19 pandemic.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

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

### Disaggregation of revenue from contracts with customers

	2021 HK\$'000	2020 HK\$'000
<b>Timing of revenue recognition</b>		
Over time	88,812	109,067
<b>Types of goods or service</b>		
Foundation and related works	88,812	109,067

### Performance obligations for contracts with customers

The Group provides services of foundation and site formation works and other geotechnical engineering works to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue for these works is therefore recognised over time using output method, i.e. based on surveys of the relevant services completed by the Group to date with reference to certificates issued by customers or payment applications confirmed by internal surveyor. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations in these contracts under HKFRS 15.

### Transaction price allocated to the remaining performance obligations from contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and the expected timing of recognising revenue are as follows:

	Foundation and related works HK\$'000
Within 1 year	45,250

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

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

### Transaction price allocated to the remaining performance obligations from contracts with customers *(continued)*

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and the expected timing of recognising revenue are as follows:

	Foundation and related works HK\$'000
Within 1 year	45,547

### Segment information

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

### Information about major customers

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

	2021 HK\$'000	2020 HK\$'000
Customer A	32,915	N/A <sup>1</sup>
Customer B	15,438	29,721
Customer C	N/A <sup>1</sup>	48,558
Customer D	15,643	N/A <sup>1</sup>
Customer E	N/A <sup>1</sup>	20,327
Customer F	13,476	N/A <sup>1</sup>
Customer G	12,656	N/A <sup>1</sup>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group during the corresponding years.



# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 6 EXPENSES BY NATURE

	2021 HK\$'000	2020 HK\$'000
Cost of sales		
Construction contract costs		
Staff costs ( <i>Note 7</i> )	13,413	7,902
Depreciation of property, plant and equipment	3,877	2,266
Depreciation of right-of-use assets	888	2,991
Leasing expenses	864	1,398
Other construction contract costs ( <i>Note</i> )	58,857	87,212
	<b>77,899</b>	101,769

	2021 HK\$'000	2020 HK\$'000
Administrative and other operating expenses		
Auditors' remuneration	680	680
Depreciation of property, plant and equipment	14	42
Depreciation of right-of-use assets	293	296
Leasing expenses	9	10
Staff costs ( <i>Note 7</i> )	4,470	3,761
Other expenses	5,252	4,610
	<b>10,718</b>	9,399

*Note:* Other construction contract costs included but are not limited to construction materials, subcontracting charges and repair and maintenance.

## 7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and other benefits	17,387	11,291
Retirement scheme contributions		
– defined contribution plan	496	372
	<b>17,883</b>	11,663

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 8 BENEFITS AND INTERESTS OF DIRECTORS

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

The remuneration of each director and the chief executive for the year ended 31 December 2021 and 2020 are set out below:

	Fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 December 2021</b>					
<i>Executive directors</i>					
Mr. Lau ( <i>Chief Executive Officer</i> ) ( <i>Note b</i> )	840	408	–	18	1,266
Mr. Leung Yat Fai Frankie Keith ( <i>Chairman</i> ) ( <i>Note a</i> )	130	–	–	–	130
Ms. Fong Pui Yin ( <i>Note e</i> )	52	–	–	–	52
<i>Independent non-executive directors</i>					
Mr. Ng Ki Man	144	–	–	–	144
Mr. Lu Tak Meng Teddy	144	–	–	–	144
Mr. Chong Kam Fung ( <i>Note d</i> )	96	–	–	–	96
Mr. Lam Chee-yau Timothy ( <i>Note c</i> )	56	–	–	–	56
	<b>1,462</b>	<b>408</b>	<b>–</b>	<b>18</b>	<b>1,888</b>

Year ended 31 December 2020

*Executive directors*

Mr. Lau (*Chief Executive Officer and  
Chairman*) (*Note b*)

840 366 – 18 1,224

*Independent non-executive directors*

Mr. Ng Ki Man

144 – – – 144

Mr. Lu Tak Meng Teddy

144 – – – 144

Mr. Chong Kam Fung (*Note d*)

144 – – – 144

1,272 366 – 18 1,656

Notes:

- Mr. Leung Yat Fai Frankie Keith has been appointed as an executive Director and vice chairman of the Board with effect from 8 February 2021 and has been re-designated as the Chairman with effect from 10 May 2021.
- Mr. Lau has relinquished his role as the Chairman but will remain to serve as the Chief Executive Officer and executive Director with effect from 10 May 2021.
- Mr. Lam Chee-yau Timothy has been appointed as an independent non-executive Director with effect from 10 May 2021.
- Mr. Chong Kam Fung has resigned as an independent non-executive Director with effect from 31 August 2021.
- Ms. Fong Pui Yin Vivian has been appointed as an executive Director with effect from 31 August 2021.

During the year ended 31 December 2021, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil). No director has waived or agreed to waive any emoluments during the year ended 31 December 2021 (2020: Nil).

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 8 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

### (b) Five highest paid individuals

Of the five individuals with the highest emoluments, one (2020: one) of them is a director for the year ended 31 December 2021 whose emoluments are disclosed above. The emoluments in respect of the remaining four (2020: four) individuals for the year ended 31 December 2021 are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and allowances	2,461	2,462
Discretionary bonuses	92	134
Retirement scheme contributions	68	72
	<b>2,621</b>	2,668

The emoluments fell within the following bands:

	Number of individuals	
Emolument band (in HK\$)	2021	2020
Nil-HK\$1,000,000	4	4

During the year ended 31 December 2021, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2020: Nil).

## 9 FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	361	209
Interest on bank and other borrowings	465	610
	<b>826</b>	819

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 10 INCOME TAX EXPENSE/(CREDIT)

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

No provision for Hong Kong Profits Tax has been made as the Group has sufficient tax loss brought forward to set off against assessable profits for the year ended 31 December 2020.

	2021 HK\$'000	2020 HK\$'000
Hong Kong Profits Tax:		
– Current income tax	475	–
– Over provision for prior year	–	(322)
Deferred income tax ( <i>Note 24</i> )	75	(1,039)
<b>Income tax expense/(credit)</b>	<b>550</b>	<b>(1,361)</b>

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

	2021 HK\$'000	2020 HK\$'000
Profit/(loss) before income tax	1,136	(874)
Calculated at a tax rate of 16.5%	187	(144)
Income not subject to tax	(445)	(207)
Expenses not deductible for tax purposes	376	1
Utilisation of tax loss previously not recognised	–	(381)
Recognition of tax loss previously not recognised	–	(901)
Tax loss not recognised	607	593
Income tax at concessionary rate	(175)	–
Over provision for prior year	–	(322)
<b>Income tax expense/(credit)</b>	<b>550</b>	<b>(1,361)</b>

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 11 EARNINGS PER SHARE

	2021	2020
Profit attributable to owners of the Company (HK\$'000)	586	487
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	1,015,890	1,000,000
Basic earnings per share (HK cent)	0.06	0.05

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

## 12 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2021 and 2020:

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

## 13 DIVIDENDS

No final dividend was proposed by the Board for the year ended 31 December 2021 (2020: Nil).

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 14 PROPERTY, PLANT AND EQUIPMENT

	<b>Machinery and equipment</b>	<b>Leasehold improvements</b>	<b>Furniture, fixtures and office equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>					
At 1 January 2020	10,967	405	760	1,245	13,377
Additions	2,942	–	14	–	2,956
Transfer from right-of-use assets	4,899	–	–	1,187	6,086
At 31 December 2020	18,808	405	774	2,432	22,419
<b>Accumulated depreciation</b>					
At 1 January 2020	6,818	405	719	1,235	9,177
Charge for the year <i>(Note 6)</i>	2,168	–	31	109	2,308
Transfer from right-of-use assets	2,776	–	–	676	3,452
At 31 December 2020	11,762	405	750	2,020	14,937
<b>Net book value</b>					
At 31 December 2020	7,046	–	24	412	7,482
<b>Cost</b>					
At 1 January 2021	<b>18,808</b>	<b>405</b>	<b>774</b>	<b>2,432</b>	<b>22,419</b>
Additions	–	–	–	55	55
Disposals	<b>(9,235)</b>	–	–	–	<b>(9,235)</b>
Transfer from right-of-use assets	<b>16,287</b>	–	–	<b>2,282</b>	<b>18,569</b>
At 31 December 2021	<b>25,860</b>	<b>405</b>	<b>774</b>	<b>4,769</b>	<b>31,808</b>
<b>Accumulated depreciation</b>					
At 1 January 2021	<b>11,762</b>	<b>405</b>	<b>750</b>	<b>2,020</b>	<b>14,937</b>
Charge for the year <i>(Note 6)</i>	<b>3,194</b>	–	<b>14</b>	<b>683</b>	<b>3,891</b>
Disposals	<b>(6,964)</b>	–	–	–	<b>(6,964)</b>
Transfer from right-of-use assets	<b>4,941</b>	–	–	<b>1,494</b>	<b>6,435</b>
At 31 December 2021	<b>12,933</b>	<b>405</b>	<b>764</b>	<b>4,197</b>	<b>18,299</b>
<b>Net book value</b>					
At 31 December 2021	<b>12,927</b>	–	<b>10</b>	<b>572</b>	<b>13,509</b>

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

### Sale and leaseback transactions – seller-lessee

To better manage the Group's capital structure and financing needs, the Group sometimes enters into sale and leaseback arrangements in relation to machinery leases. These legal transfer does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the machinery. During the year ended 31 December 2021, the Group has raised approximately HK\$949,000 (2020: approximately HK\$1,910,000) borrowings in respect of such sale and leaseback arrangements.

## 15 LEASES

### (a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2021 HK\$'000	2020 HK\$'000
<b>Right-of-use assets</b>		
Machinery and equipment	–	11,932
Motor vehicles	–	788
Premises	<b>347</b>	1,378
	<b>347</b>	14,098
<b>Lease liabilities</b>		
Current	<b>214</b>	5,186
Non-current	<b>136</b>	767
	<b>350</b>	5,953
<b>Lease liabilities payable (ignore the effect of demand clause)</b>		
Within 1 year	<b>214</b>	5,187
Between 1 and 2 years	<b>136</b>	421
Between 2 and 3 years	–	345
	<b>350</b>	5,953

Additions to the right-of-use assets during the 2021 financial year were approximately HK\$318,000 (2020: approximately HK\$1,352,000).

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 15 LEASES *(continued)*

### (a) Amounts recognised in the consolidated statement of financial position

*(continued)*

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

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

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2021 HK\$'000	2020 HK\$'000
<b>Depreciation charge of right-of-use assets</b>		
Machinery and equipment	586	1,989
Motor vehicles	–	595
Premises	595	703
	<b>1,181</b>	3,287
Interest expense (included in finance costs)	361	209
Expense relating to short-term leases (included in cost of sales and administrative and other operating expenses)	873	1,408

The total cash outflow for leases in 2021 was approximately HK\$6,387,000 (2020: approximately HK\$5,101,000).

## 16 FINANCIAL INSTRUMENTS BY CATEGORY

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets</b>		
Amortised cost	13,551	23,565
Mandatorily measured at fair value through profit or loss	2,745	2,650
<b>Financial liabilities</b>		
Amortised cost	35,061	50,603



# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 17 PAYMENT FOR A LIFE INSURANCE POLICY

In 2018, the Group entered into a life insurance policy with an insurance company to insure an executive director of the Company. Under the life insurance policy (the “**Policy**”), the beneficiary and policy holder is the Group and the total insured sum is approximately US\$1,000,000 (approximately HK\$7,800,000). The Group paid an upfront premium for the Policy of approximately US\$391,000 (approximately HK\$3,061,000) and may surrender any time and receive cash based on the cash value of the Policy at the date of withdrawal, which is calculated by the insurer. In the opinion of the directors of the Company, the cash value of the Policy provided by the insurance company is the best approximation of its fair value, which is categorised within Level 3 of the fair value hierarchy.

The payment for a life insurance policy was pledged to secure the bank borrowings of the Group is summarised in Note 23.

## 18 TRADE AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	8,597	17,613
Less: Provision for impairment losses	(820)	(1,071)
	<b>7,777</b>	16,542
Other receivables, deposits and prepayments	9,865	3,927
	<b>17,642</b>	20,469

Notes:

- (a) The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on date of payment certificates issued by customers or invoice date is as follows:

	2021 HK\$'000	2020 HK\$'000
0–30 days	3,505	8,915
31–60 days	723	880
61–90 days	–	6,976
Over 90 days	4,369	842
	<b>8,597</b>	17,613

As at 31 December 2021, trade receivables of approximately HK\$4,369,000 (2020: approximately HK\$7,629,000) were past due. Based on past experience and forward-looking estimates, the amounts are considered as recoverable.

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 19 CONTRACT ASSETS

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Contract assets	<b>68,074</b>	63,792
Less: Provision for impairment losses	<b>(3,512)</b>	(519)
	<b>64,562</b>	63,273

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on factors other than passage of time. The contract assets are transferred to trade receivables when the rights become unconditional.

Contracts assets have decreased as the Group has provided less construction services ahead of the right to payment.

Included in contract assets comprises retention receivables of approximately HK\$16,080,000 (2020: approximately HK\$15,986,000) as at 31 December 2021, after recognition of impairment loss of approximately HK\$80,000 (2020: approximately HK\$90,000), the carrying amount of retention receivables was approximately HK\$16,000,000 (2020: approximately HK\$15,896,000).

Retention receivables represented the monies withheld by customers of contract works fully recoverable within 1 to 2 years from the date of completion of construction contracts, in accordance with the terms specified in the relevant contracts. Generally, upon satisfactory completion of contract work as set out in the contract, partial of the retention money of such contract work will be released to the Group, while the remaining will be released to the Group upon the expiration of the defects liability period.

The retention receivables, before recognition of impairment loss, would be settled, based on the expiry of the defect liability period, at the end of the reporting period as follow:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>5,692</b>	6,223
After one year	<b>10,388</b>	9,763
	<b>16,080</b>	15,986

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 20 CASH AND BANK BALANCES

	2021 HK\$'000	2020 HK\$'000
Cash at banks	4,342	5,413
Cash on hand	10	10
	<b>4,352</b>	5,423

Notes:

- (a) The carrying amount of cash and bank balances were denominated in HK\$.
- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

## 21 SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	3,000,000,000	30,000
<b>Issued and fully paid:</b>		
At 1 January 2020, 31 December 2020 and 1 January 2021	1,000,000,000	10,000
Issue of shares by way of placing ( <i>Note</i> )	100,000,000	1,000
At 31 December 2021	1,100,000,000	11,000

*Note:* On 4 November 2021, the Company allotted and issued 100,000,000 ordinary shares of HK\$0.01 each in the capital of the Company by way of placing at a placing price of HK\$0.043 per share. The Company raised approximately HK\$4,168,000 (net of expenses).

## 22 SHARE OPTION SCHEME

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

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 22 SHARE OPTION SCHEME *(continued)*

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

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

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

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

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

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

No option has been granted by the Company under the Scheme since its adoption and there was no share option outstanding as at 31 December 2021 and 2020.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 23 BORROWINGS

	2021 HK\$'000	2020 HK\$'000
<b>Non-current</b>		
Other borrowing <i>(Notes b and c)</i>	–	949
<b>Current</b>		
Bank borrowings <i>(Notes a, c and d)</i>	9,998	11,933
Other borrowing <i>(Notes b and c)</i>	949	961
	<b>10,947</b>	12,894
<b>Total borrowings</b>	<b>10,947</b>	13,843

Notes:

(a) Bank borrowings

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

	2021 HK\$'000	2020 HK\$'000
Within 1 year	9,998	11,933

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

(b) Other borrowing

The other borrowing is repayable as follows:

	2021 HK\$'000	2020 HK\$'000
Within 1 year	949	961
Between 1 and 2 years	–	949
	<b>949</b>	1,910

The other borrowing is secured by the Group's machinery and equipment with an aggregate net book value of approximately HK\$653,000 (2020: approximately HK\$1,633,000) as at 31 December 2021 and guaranteed by personal guarantee given by a director of the Company.

The carrying amounts of all other borrowing are denominated in HK\$.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 23 BORROWINGS *(continued)*

Notes: *(continued)*

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

	2021	2020
Bank borrowings	4.35% to 4.65%	4.5% to 5.0%
Other borrowing	7.4%	7.4%

(d) These facilities:

- (i) are secured by a payment of a life insurance policy (Note 17) as at 31 December 2021 and 2020; and
- (ii) are subject to the fulfilment of certain covenants as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Company regularly monitors its compliance with these covenants. As at 31 December 2021 and 2020, none of the covenants relating to drawn down facilities had been breached.

## 24 DEFERRED TAX LIABILITIES

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

	Tax depreciation allowances HK\$'000	ECL provision HK\$'000	Tax loss HK\$'000	Total HK\$'000
At 1 January 2020	2,396	(60)	–	2,336
Charged/(credited) to profit or loss <i>(Note 10)</i>	67	(205)	(901)	(1,039)
At 31 December 2020 and 1 January 2021	2,463	(265)	(901)	1,297
Charged/(credited) to profit or loss <i>(Note 10)</i>	(373)	(453)	901	75
<b>At 31 December 2021</b>	<b>2,090</b>	<b>(718)</b>	<b>–</b>	<b>1,372</b>

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$15.6 million (2020: approximately HK\$17.0 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$5.5 million of such loss for the year ended 31 December 2020. No deferred tax asset has been recognised in respect of approximately HK\$15.6 million (2020: approximately HK\$11.5 million) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 25 TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	11,578	20,095
Accrued employee benefit expenses	1,805	1,244
Other accruals and payables	2,893	2,594
Retention payables	7,488	6,874
	<b>23,764</b>	30,807

Notes:

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

	2021 HK\$'000	2020 HK\$'000
0-30 days	2,347	631
31-60 days	3,895	5,642
61-90 days	707	3,747
Over 90 days	4,629	10,075
	<b>11,578</b>	20,095

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

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 26 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2021 HK\$'000	2020 HK\$'000
Profit/(loss) before income tax	1,136	(874)
Adjustments for:		
Depreciation	5,072	5,595
Gain on disposal of property, plant and equipment	(2,511)	–
Gain on early termination of lease	(14)	–
Net impairment loss on financial and contract assets	2,742	1,244
Fair value change on financial assets at fair value through profit or loss	(95)	(79)
Interest expense	826	819
Operating profit before working capital changes	7,156	6,705
Decrease/(increase) in trade and other receivables	3,078	(12,315)
(Increase)/decrease in contract assets	(4,282)	22,666
Increase/(decrease) in trade and other payables	1,065	(7,473)
Net cash generated from operations	7,017	9,583

### (b) Reconciliation of liabilities arising from financing activities

	Bank borrowings HK\$'000	Other borrowing HK\$'000	Lease liabilities HK\$'000	Total liabilities from financing activities HK\$'000
As at 1 January 2020	16,161	–	8,085	24,246
Cash flows	(5,940)	1,910	(3,484)	(7,514)
Non-cash changes				
– settlement of trade payables	1,712	–	–	1,712
– addition of right-of-use assets	–	–	1,352	1,352
As at 31 December 2020	11,933	1,910	5,953	19,796
As at 31 December 2020	11,933	1,910	5,953	19,796
Cash flows	(10,043)	(961)	(5,153)	(16,157)
Non-cash changes				
– settlement of trade payables	8,108	–	–	8,108
– addition of right-of-use assets	–	–	318	318
– early termination of lease	–	–	(768)	(768)
As at 31 December 2021	9,998	949	350	11,297



# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## **27 RELATED PARTY TRANSACTIONS**

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

### **Key management personnel compensation**

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

## **28 CONTINGENT LIABILITIES**

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

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Statement of financial position

	<i>Note</i>	<b>2021 HK\$'000</b>	2020 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in a subsidiary		27,100	27,100
<b>Current assets</b>			
Prepayment		2,258	150
Amount due from a subsidiary		26,499	29,895
Cash and bank balances		1,242	12
		<b>29,999</b>	30,057
<b>Total assets</b>		<b>57,099</b>	57,157
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		11,000	10,000
Reserves	<i>29(b)</i>	45,402	46,382
<b>Total equity</b>		<b>56,402</b>	56,382
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accruals		697	775
<b>Total equity and liabilities</b>		<b>57,099</b>	57,157
<b>Net current assets</b>		<b>29,302</b>	29,282
<b>Total assets less current liabilities</b>		<b>56,402</b>	56,382

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 22 April 2022 and are signed on its behalf by:

**Mr. Lau Chung Ho**  
*Director*

**Mr. Leung Yat Fai Frankie Keith**  
*Director*

# Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2021

## 29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

### (b) Reserve movement

	Share premium HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2020	44,049	30,601	(24,672)	49,978
Loss and total comprehensive expense for the year	–	–	(3,596)	(3,596)
Balance at 31 December 2020	44,049	30,601	(28,268)	46,382
Balance at 1 January 2021	<b>44,049</b>	<b>30,601</b>	<b>(28,268)</b>	<b>46,382</b>
Loss and total comprehensive expense for the year	–	–	<b>(4,148)</b>	<b>(4,148)</b>
Issue of shares by way of placing	<b>3,168</b>	–	–	<b>3,168</b>
<b>Balance at 31 December 2021</b>	<b>47,217</b>	<b>30,601</b>	<b>(32,416)</b>	<b>45,402</b>

#### Special reserve

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

# Financial Summary

	For the year ended 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	<b>88,812</b>	109,067	102,790	127,608	138,276
Gross profit	<b>10,913</b>	7,298	3,616	13,731	16,073
Profit/(loss) before income tax	<b>1,136</b>	(874)	(7,770)	(3,314)	(5,285)
Profit/(loss) and total comprehensive income/(expense) for the year attributable to owners of the Company	<b>586</b>	487	(7,857)	(4,054)	(5,996)
Total assets	<b>103,157</b>	113,395	127,904	107,138	123,311
Total liabilities	<b>36,908</b>	51,900	66,896	38,253	51,993
Total equity and liabilities	<b>103,157</b>	113,395	127,904	107,138	123,311