LAPCO HOLDINGS LIMITED
立高控股有限公司

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

ANNUAL REPORT
2018

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 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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Pak Ling (林柏齡先生)
(Chairman and chief executive officer)
Mr. Cai Weiming (蔡偉明先生)
Mr. Wong Tsz Chun, Jacky (王子進先生)
Mr. Tam Yiu Shing, Billy (譚耀誠先生)
(appointed on 25 January 2019)

Non-executive Director

Mr. Choi Chung Yin (蔡仲言先生)
(resigned on 10 August 2018)

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

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

COMPLIANCE OFFICER

Mr. Lam Pak Ling (林柏齡先生)

AUTHORISED REPRESENTATIVES

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

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AUDITOR

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STOCK CODE

08472

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Lapco Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**Lapco**"), I am pleased to present the audited consolidated annual results of the Group for the year ended 31 December 2018 (the "**Reporting Period**").

During the Reporting Period, the intensified competition in the environmental hygiene service industry, shortage of labour and rising operating costs, especially soaring labour costs, vehicle expenses, legal and professional expenses, insurance charges and financing costs, put undue pressure on our gross profit, net profit and profit margin. During the Reporting Period, although the newly launched large-scale contracts for public and private environmental hygiene services drove the growth in revenue, the Group recorded a loss due to the increase in operating costs.

The profit margin of the street cleaning contracts, which account for the largest proportion of the Group's business, has been narrowed. Therefore, we have also invested resources to secure more profitable and promising business from both private and public sectors to broaden the customer base. Such efforts started to be reflected during the period under review.

In September 2018, Typhoon Mangkhut ravaged Hong Kong with its astonishing power of destruction. The number of collapsed trees broke years of record and affected the cityscape and traffic. In light of this, the professional team of the Group obtained a number of job orders to clean up collapsed trees and garbage disposal, which brought us extra income. In response to strong market demand, we will further expand our greening projects such as tree care and gardening in the coming year.

It is our objectives to achieve sustainable growth and raise our overall competitiveness. To this end, we will continue to enhance our operational efficiency and cost control, improve our internal control and financial position, and strengthen our information technology application system to deliver higher operational efficiency. Furthermore, we will consider acquiring more advanced cleaning machinery and equipment and special vehicles to further enhance service quality and efficiency and strengthen the Group's market position.

In respect of the recycling business, we are now studying the recycling technology of renewable resources and new waste treatment technologies, so as to benefit from the Government's policies to be rolled out successively.

Government policies have far-reaching implications for the industry's operating environment. We are pleased to see that the Government has taken steps to increase the technical weighting in the marking schemes for tender evaluation and the weighting of wage level as a criterion for technical assessment for outsourcing service contracts. It is believed that such move can allow non-skilled workers and contractors to have higher wages and benefits and profit margins respectively. In 2018, the Chief Executive announced in the Policy Address that the Government's treatment of outsourced workers would be improved from 1 April 2019. New terms will be added to the service contracts with contractors, including provision of contract gratuity to those employed for at least one year, 1.5 times of compensation for working when typhoon signal No.8 or above is in effect, and statutory paid leaves upon one-month employment. In addition, the Government announced in January 2019 that it would subsidize contractors with more than HK$300 million so that employees under old contracts could also benefit from the new measures.

We believe that a successful business should embrace the values of social care and environmental protection. Hence, whilst sharpening our competitive edge, we also pay attention to fulfilling our social responsibilities and caring for our frontline workers. We are honored to be conferred with the "Caring Company" award for over ten consecutive years, which recognize our work in this regard.

In line with the national policy of developing the Greater Bay Area and the Belt and Road Initiative, we are actively pursuing relevant business opportunities with a view to extending our business to the potential areas in Mainland China and Southeast Asia. We have taken the important first step for developing our environmental hygiene business in Mainland China by obtaining the Certificate of Hong Kong Service Supplier required by the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), enabling us to enter the relevant Mainland markets at any time and with preferential treatment to develop domestic business in environmental hygiene, horticultural greening and building cleaning. Looking ahead, we consider that the global economy will still be volatile. However, amidst the growing awareness of environmental protection and public health, the related industries will have a bright prospect.

Apart from the environmental hygiene business that the Group has always focused on, we also have an eye on other investment projects, particularly in connection with the high-tech business, hoping to inject fresh impetus to the Group and bring long-term benefits to our shareholders.

Considering the prospects of fintech and big data application across the globe and to equip the Company with the capability to embrace the rapid and incessant infiltration of technology across different sectors, on 28 January 2019, the Company and Noble Sovereignty Capital Group Limited ("**Noble Sovereignty**") reached initial consensus and entered into a memorandum of understanding in relation to the proposed formation of a joint venture company (as detailed in the announcement on the same date) to explore training, recruitment and export of talents in the application of blockchain, internet technology and fintech, the outsourcing services for blockchain and internet technology projects, investment advisory services, a talent community ecosystem for blockchain and internet technology projects, business operations under https://www.senbit.cc, and the potential of diversifying the Company's business. It is hoped that the proposal can enhance the returns for the Company and the shareholders as a whole from a long-term perspective. At present, the two parties have yet to enter into a legally binding agreement on the proposed joint venture. Whether it can be materialized or not, the Company will make necessary announcement in accordance with the GEM Listing Rules.

I would like to express my sincere gratitude to my fellow directors and all our staff in Lapco. Forging ahead on a solid foundation, Lapco relies on the concerted and unremitting efforts of all our staff.

I would also like to thank our shareholders and business partners for their unwavering support to and trust in the Group.

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

22 March 2019

BUSINESS REVIEW AND OUTLOOK

We are an established and one-stop environmental service provider based in Hong Kong. Our environmental hygiene services cover four types, namely (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services. We provide our environmental hygiene services to a wide range of venues including streets, cultural, leisure and recreational premises, residential premises, commercial buildings, markets, restaurants and academic institutions etc. Our major customers during the year ended 31 December 2018 include various departments of the HK Government, property management companies and other corporations in the private sector.

During the Reporting Period, the intensified competition in the environmental hygiene service industry, shortage of labour and rising operating costs, especially soaring labour costs, vehicle expenses, legal and professional expenses, insurance charges and financing costs, put undue pressure on our gross profit, net profit and profit margin. During the Reporting Period, although the newly launched large-scale contracts for public and private environmental hygiene services drove the growth in revenue, the Group recorded a loss due to the increase in operating costs.

The profit margin of the street cleaning contracts, which account for the largest proportion of the Group's business, has been narrowed. Therefore, we have also invested resources to secure more profitable and promising business from both private and public sectors to broaden the customer base. Such efforts started to be reflected during the period under review.

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

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

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

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

Considering the prospects of fintech and big data application across the globe and to equip the Company with the capability to embrace the rapid and incessant infiltration of technology across different sectors, on 28 January 2019, the Company and Noble Sovereignty reached initial consensus and entered into a memorandum of understanding in relation to the proposed formation of a joint venture company (as detailed in the announcement on the same date) to explore training, recruitment and export of talents in the application of blockchain, internet technology and fintech, the outsourcing services for blockchain and internet technology projects, investment advisory services, a talent community ecosystem for blockchain and internet technology projects, business operations under https://www.senbit.cc, and the potential of diversifying the Company's business. It is hoped that the proposal can enhance the returns for the Company and the shareholders as a whole from a long-term perspective. At present, the two parties have yet to enter into a legally binding agreement on the proposed joint venture. Whether it can be materialized or not, the Company will make necessary announcement in accordance with the GEM Listing Rules.

Financial Results

Revenue of the Group increased by approximately 18.3% from approximately HK$448.0 million for the year ended 31 December 2017 to approximately HK$529.8 million for the Reporting Period. The Group, however, recorded a significant increase in the cost of services by approximately 20.5% to approximately HK$504.6 million (2017: approximately HK$418.8 million) and a significant decrease of approximately 13.7% in gross profit to approximately HK$25.2 million (2017: approximately HK$29.2 million). Gross profit margin also decreased by approximately 1.7% to 4.8% (2017: 6.5%). Such decrease was mainly attributable to the significant revenue contribution contracts which have lower gross profit margins as compared to other contracts. Coupled with the increase in administrative expenses and finance costs, the Company recorded a loss attributable to equity shareholders of the Company (the "**Shareholders**") for the year ended 31 December 2018 which amounted to approximately HK$11.7 million (2017: approximately HK$8.2 million).

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

HUMAN RESOURCES

As at 31 December 2018, the Group employed 3,567 employees, including both full time and part time (31 December 2017: 3,815). Remuneration packages are generally structured by reference to market terms, individual qualifications and experience.

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

FINANCIAL REVIEW

Revenue

The Group's revenue for the years ended 31 December 2018 and 2017 were approximately HK$529.8 million and HK$448.0 million, respectively, representing an increase of approximately 18.3%. The increase was mainly driven by the new contracts commenced during the Reporting Period in our service segments of cleaning, landscaping and pest management.

The following table sets forth our revenue by business segments during the years ended 31 December 2018 and 2017:

	For the year ended 31 December			
	2018		2017	
	HK$'000	***%***	*HK$'000*	*%*
Cleaning services	**360,767**	**68.1**	327,807	73.2
Pest management services	**79,923**	**15.1**	43,353	9.7
Waste management and recycling services	**88,543**	**16.7**	75,924	16.9
Landscaping services	**605**	**0.1**	937	0.2
Total	**529,838**	**100.0**	448,021	100.0

The revenue from cleaning services increased by approximately 10.1% for the year ended 31 December 2018 as comparing with that of the previous year as certain cleaning services contracts commenced during the year. The revenue from pest management services increased significantly by approximately 84.4% for the year ended 31 December 2018 as compared to the previous year as certain pest management services contracts commenced during the year. The revenue from waste management and recycling services increased by approximately 16.6% for the year ended 31 December 2018 as compared to the previous year as certain mega waste management and recycling services contracts commenced during the year.

More details of the Group's performance for the Reporting Period by business segments is set out in note 5 to the consolidated financial statements.

Cost of Services

For the years ended 31 December 2018 and 2017, the cost of services of the Group amounted to approximately HK$504.6 million and HK$418.8 million respectively, representing approximately 95.2% and 93.5% of the Group's revenue for the corresponding years. Our cost of services mainly consists of direct labour costs, vehicle expenses, consumables, and direct overheads. The cost of services increased in proportion to the Group's revenue during the Reporting Period as the Group commenced several contracts which have lower gross profit margins as compared to other contracts.

Gross Profit

The Group's gross profit for the year ended 31 December 2018 was approximately HK$25.2 million, representing a decrease of approximately 13.7% from approximately HK$29.2 million for the year ended 31 December 2017. The decrease was mainly due to the increase in cost of services of the Group.

Gross Profit Margin

The gross profit margins of the Group for the years ended 31 December 2018 and 2017 were approximately 4.8% and 6.5% respectively. As mentioned above, the decrease in gross profit margin was mainly attributable to several contracts with lower gross profit margin which were commenced during the Reporting Period.

Administrative Expenses

The administrative expenses incurred by the Group for the years ended 31 December 2018 and 2017 were approximately HK$32.2 million and HK$24.1 million respectively, representing an increase of approximately 33.6%, and approximately 6.1% and 5.4% of the respective year's total revenue. The increase was mainly attributable to the full year impact on higher staff costs, post-listing professional expenses, and the increase in bank charges resulting from the review of bank facilities. The Group continues to implement its budgeted cost control measures for administrative expenses.

Finance Costs

The finance costs of the Group amounted to approximately HK$6.9 million and HK$5.1 million for the years ended 31 December 2018 and 2017 respectively, representing approximately 1.3% and approximately 1.1% of the Group's revenue in the respective years.

Loss Attributable to Owners of The Company

As a result of the foregoing, the loss attributable to the Shareholders for the year ended 31 December 2018 amounted to approximately HK$11.7 million as compared to the loss attributable to the Shareholders of approximately HK$8.2 million for the year ended 31 December 2017.

FOREIGN CURRENCY EXPOSURE

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, total bank borrowings of the Group amounted to approximately HK$110.2 million (2017: approximately HK$98.8 million) which represented the secured bank overdrafts, secured term loans and secured loans from factoring of trade receivables with full resource. As at 31 December 2018, the cash and cash equivalents and pledged bank balances of the Group amounted to approximately HK$33.2 million (2017: approximately HK$30.6 million). As at 31 December 2018, debt to equity ratio of the Group was approximately 284.1% (2017: approximately 233.3%). Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank borrowings and obligations under finance leases net of pledged bank balances and bank balances and cash, by total equity at the end of the respective years. Current ratio as at 31 December 2018 was approximately 1.0 time (2017: approximately 1.0 time).

The Group maintained sufficient working capital as at 31 December 2018 with bank balances and cash of approximately HK$11.5 million (2017: approximately HK$21.5 million). The Board of Directors will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

As at 31 December 2018, the Group's net current assets amounted to approximately HK$6.6 million (2017: approximately HK$3.7 million). The Group's operations are financed principally by operating cashflow generated from its business operation, available cash and bank balances, bank borrowings and obligations under finance lease.

CONTINGENT LIABILITIES

As at 31 December 2018, performance guarantee of approximately HK$72,802,000 (2017: HK$71,544,000) and HK$Nil (2017: HK$18,178,000) were given by banks and an insurance company respectively in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantee have been given, such customers may demand the banks to pay the sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantee will be released upon completion of the service contracts.

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company through the Public Offer of an aggregate of 10,000,000 Public Offer Shares and the placing of 90,000,000 ordinary shares of HK$0.01 each in the share capital of the Company at the price of HK$0.50 per share, after deducting the underwriting commission and listing expenses borne by our Group and excluding the net proceeds of the Sale Shares, were approximately HK$18.7 million ("**Actual Proceeds**"), as compared to the estimated net proceeds of approximately HK$20.8 million as disclosed in the prospectus dated 30 June 2017 of the Company (the "**Prospectus**"), there were shortage of approximately HK$2.1 million mainly due to the additional listing expenses at final payment. Accordingly, the Group has adjusted the use of proceeds on a pro-rata basis. The utilization of net proceeds as at 31 December 2018 is set out below:

Summary of use of proceeds

Use of net proceeds	Total planned amount to be used *HK$' million*	Planned use of proceed up to 31 December 2018 *HK$' million*	Actual amount utilized up to 31 December 2018 *HK$' million*	Unutilized balance as at 31 December 2018 *HK$' million*
Procure additional vehicles	9.0	6.3	6.3	2.7
Procure additional equipment	0.9	0.9	0.9	–
Hire additional staff	1.4	1.1	1.1	0.3
Enhance information technology application system to enhance operational efficiency	2.7	2.7	0.1	2.6
Repay a bank loan	2.9	2.9	2.9	–
General working capital	1.8	1.1	1.1	0.7
Total	18.7	15.0	12.4	6.3

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

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, the amounts payable under finance leases within one year was approximately HK$22.5 million (31 December 2017: HK$23.5 million), and after one year but within five years was approximately HK$44.0 million (31 December 2017: HK$53.3 million).

As at 31 December 2018, we had approximately HK$106.9 million (31 December 2017: HK$95.3 million) of secured bank borrowings (excluding secured bank overdrafts). Such loans were primarily used in financing the working capital requirement of our operations.

The amount of term loans reduced to approximately HK$10.5 million as at 31 December 2018 (31 December 2017: HK$12.4 million).

In addition, we have (i) pledged bank balances of approximately HK$21.8 million as at 31 December 2018 (31 December 2017: HK$9.1 million) and (ii) pledged the Group's trade receivables of approximately HK$115.2 million as at 31 December 2018 (31 December 2017: HK$107.4 million).

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

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

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

EXECUTIVE DIRECTORS

Mr. Lam Pak Ling (林柏齡), aged 59, is our executive Director, our chairman, our chief executive officer and our compliance officer.

Mr. Lam is the founder of our Group and a member of our Group of Controlling Shareholders (as defined in paragraph 24 of the Report of the Directors contained in this annual report) and was appointed as our Director on 12 August 2016 and was re-designated as our executive Director on 7 November 2016. He is also the director of Sharp Idea Global Limited ("**Sharp Idea**"), Lapco Service Limited ("**Lapco Service**"), Shiny Glory Services Limited ("**Shiny Glory**") and Shiny Hope Limited ("**Shiny Hope**"). Founding Shiny Glory in 1990 and Lapco Service in 1999, Mr. Lam has over 28 years of experience in the environmental hygiene service industry and is primarily responsible for the overall management, strategic planning and business development of our Group. In addition to his experience in the field, Mr. Lam completed a certificate course on Pest Control Technology and Management conducted by Hong Kong Productivity Council in May 1995. He was further awarded certificate in Operations and Workflow Management issued by The Hong Kong Management Association in December 2000. Further, Mr. Lam completed the ISO 14001:1996 EMS Internal Auditor Training Course in February 2004, Integrated Management System Internal Auditor Training Course (ISO 9001:2000, ISO 14001:2004, OHSAS 18001:1999) in May 2006 and Integrated Management System Implementation Training Course (ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007) in June 2016.

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

Mr. Cai Weiming (蔡偉明), aged 53, is our executive Director.

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

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

Mr. Wong Tsz Chun, Jacky (王子進), aged 28, is our executive Director. He was appointed as our Director on 12 August 2016 and was re-designated as our executive Director on 7 November 2016.

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

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

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

Mr. Tam Yiu Shing, Billy (譚耀誠), aged 38, is our executive Director, financial controller and company secretary of the Group. He was appointed as our executive Director on 25 January 2019.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mak Kwok Kei (麥國基), aged 33, was appointed as our independent non-executive Director on 24 June 2017.

Mr. Mak has over nine years of experience in securities sales and trading and capital markets advisory at various international investment banks, specialising in initial public offerings and capital fund raising for companies in Hong Kong and China. He worked as a trainee in Credit Agricole Corporate and Investment Bank (Hong Kong Branch), a financial services company, where he was mainly engaged in transacting various high grade corporate and government bonds with central banks in Asia, from September 2009 to November 2010. He also worked at Nomura International (Hong Kong) Limited, a financial services company, as associate where he was mainly engaged in both primary and secondary equity fund raising activities for listed companies and high-net-worth individuals in Asia, from November 2010 to August 2015. From October 2015 to June 2018, he served as a managing director and head of equity capital markets in Zhongtai International Capital Limited, a corporate finance advisory company. He is primarily responsible for providing capital markets advisory services to clients and operating and managing the equity capital markets franchise. Since January 2019, he has served as managing director of China Investment Securities (Hong Kong) Financial Holdings Limited. He is in charge of the investment banking division, including IPO sponsoring, debt and equity fund raising and financial advisory.

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

Mr. Mak is currently an independent non-executive director of China HKBridge Holdings Limited (stock code: 2323), whose shares are listed on the Main Board of the Stock Exchange.

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

Ms. Lam Kit Yan (林潔恩), aged 44, was appointed as our independent non-executive Director on 24 June 2017.

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

Ms. Lam obtained a degree of bachelor of business administration from The Chinese University of Hong Kong in December 1997. Ms. Lam is as a certified tax adviser and a fellow member of The Taxation Institute of Hong Kong. She is also a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Ho Kin Wai (何建偉), aged 43, was appointed as our independent non-executive Director on 24 June 2017.

From December 2000 to December 2001, Mr. Ho was a programmer of The Chase Manhattan Bank, the principal business of which is providing banking service. From July 2003 to January 2009, he served as sales merchandiser of Betastar Trading Limited, the principal business of which is trading of footwear, responsible for sourcing footwear manufacturers, developing footwear, and handling and monitoring order process. He has acted as a director of Ever Smart International Enterprise Limited, a wholly-owned subsidiary of Jimu Group Limited ("**Jimu**") (stock code: 8187), the shares of which are listed on GEM of the Stock Exchange since January 2009. Mr. Ho is one of the founders of Jimu and he was appointed as a director of Jimu in February 2015. He was then redesignated as an executive director of Jimu and appointed as its chairman and chief executive officer in September 2015. He ceased to be the chairman of Jimu with effect from December 2017. He is responsible for the overall business development, sales, strategic planning and major decision-making of Jimu.

Mr. Ho is currently an independent non-executive director of Hang Tai Yue Group Holdings Limited (stock code: 8081) whose shares are listed on GEM of the Stock Exchange. He has also been a director and vice chairman of Fit Boxx Holdings Limited since May 2018.

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

SENIOR MANAGEMENT

Ms. Wong Siu Fan, Beatrice (黃小芬), aged 52, is a director of Shiny Glory and Sharp Idea.

Ms. Wong is also a member of our Group of Controlling Shareholders and she cohabits with Mr. Lam as spouse. Ms. Wong joined our Group on 30 December 1991 as a director of Shiny Glory and resigned as a director of Shiny Glory on 7 July 1999. She was later re-appointed as a director of Shiny Glory on 15 July 2010. Ms. Wong has over 27 years of experience in the environmental hygiene service industry and is primarily responsible for overseeing and supervision of the financial and operation teams of our Group, in charge of implementation of policies and internal controls, provision of advice on financial planning and budgeting. Ms. Wong is also in charge of staff development and continuous improvement.

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

COMPANY SECRETARY

Mr. Tam Yiu Shing, Billy (譚耀誠), our executive Director and financial controller, was appointed as our company secretary on 14 March 2017. Further details on the company secretary are set forth in the paragraphs headed "Executive Directors" in this section.

COMPLIANCE OFFICER

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

REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its major subsidiaries are set out in note 35 to the consolidated financial statements. During the Year, there were no significant changes in the nature of the Group's principal activities.

2. BUSINESS REVIEW

A review of the Group's business during the Reporting Period is provided in the section headed "Management Discussion and Analysis" on pages 5 to 10 of this annual report. A description of the Group's corporate governance and the Group's risk management and internal control system is provided in the section headed "Corporate Governance Report" on pages 23 to 32 of this annual report. A discussion on the Group's environmental policies, relationships with its key stakeholders and the relevant laws and regulations that have a significant impact on the Group are provided in the section headed "Environmental, Social and Governance Report" on pages 33 to 45 of this annual report.

3. SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal operating activities and the Group's assets and liabilities by reportable segments of operations for the year ended 31 December 2018 is set out in note 5 to the consolidated financial statements. No geographical information is represented as nearly all of the Group's businesses were carried out in Hong Kong during the Reporting Period and all of the Group's revenue from external customers was generated in Hong Kong during the Reporting Period.

4. RESULTS AND FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

5. RESERVES

Details of movements in the reserves of the Company and of the Group during the Reporting Period are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

6. SHARE CAPITAL

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

7. DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company has distributable reserves of approximately HK$10,329,000 available for distribution to shareholders of the Company (2017: HK$13,102,000).

8. PLANT AND EQUIPMENT

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

9. BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2018 are set out in the note 22 to the consolidated financial statements.

10. PRE-EMPTIVE RIGHTS

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

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

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

12. FINANCIAL SUMMARY

A summary of the results for the year ended 31 December 2018 and of the assets and liabilities of the Group as at 31 December 2018 and for the previous three financial years are set out on page 112.

13. DIRECTORS

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

Executive Directors:
Mr. Lam Pak Ling
Mr. Cai Weiming
Mr. Wong Tsz Chun, Jacky
Mr. Tam Yiu Shing, Billy (appointed on 25 January 2019)

Non-executive Director:
Mr. Choi Chung Yin (resigned on 10 August 2018)

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

Mr. Choi Chung Yin resigned as a non-executive Director with effect from 10 August 2018. For further details, please refer to the announcement of the Company dated 10 August 2018.

Pursuant to articles 83(3) and 84 of the Articles, Mr. Tam Yiu Shing, Billy, Ms. Lam Kit Yan and Mr. Ho Kin Wai will retire from office as Directors at the forthcoming annual general meeting ("**AGM**") and, being eligible, will offer themselves for re-election.

The Company has received an annual confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules from each of the independent non-executive Directors and, as at the date of this report, still considers them to be independent.

14. BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors as of the date of publication of this report are set out on pages 11 to 15.

15. DIRECTORS' SERVICE CONTRACTS

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

Mr. Tam Yiu Shing, Billy, being an executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 25 January 2019 and continuing thereafter until terminated by either party by giving not less than one month's prior written notice to the other.

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

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

16. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

17. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

18. PERMITTED INDEMNITY PROVISION AND INSURANCE

Pursuant to the Articles and subject to 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 or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the Reporting Period. The Company has arranged for appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

19. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2018, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), Chapter 571), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Interests in the Company

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

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

Interests in associated corporation of the Company

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

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

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

20. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2018, the following persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

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

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

Save as disclosed herein, the Company has not been notified of any other person (other than a Director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2018.

21. CONTINUING CONNECTED TRANSACTIONS

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

22. CONTRACTS OF SIGNIFICANCE

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

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

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

23. MAJOR CUSTOMERS AND MAJOR SUPPLIERS

The Group's five largest customers accounted for 95.4% (2017: 94.1%) of the total revenue for the Reporting Period and revenue contributed by the largest customer amounted to 84.2% (2017: 76.1%). The Group's five largest suppliers accounted for 27.1% (2017: 32.1%) of the total purchases for the Reporting Period and purchases from the largest supplier amounted to 13.6% (2017: 9.9%).

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

24. NON-COMPETITION UNDERTAKINGS

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

Each of the Controlling Shareholders has confirmed his or its compliance with the terms of the Non-Competition Undertaking and the independent non-executive Directors were not aware of any non-compliance of the Non-Competition Undertaking given by the Controlling Shareholders during the year ended 31 December 2018 and up to the date of the annual report.

25. MANAGEMENT CONTRACTS

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

26. EMOLUMENT AND REMUNERATION POLICY

The Company has a remuneration committee for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

27. REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals (including the senior management of the Company) are set out in notes 8 and 9 to the consolidated financial statements.

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

28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2018, two shareholders of the Company entered into shareholder's loan agreements with a wholly-owned subsidiary of the Company pursuant to which shareholders' loan with aggregate amount of HK$6,500,000 was advanced to the Group which is unsecured, interest-free. Both shareholders have agreed not to demand for repayment on the shareholders' loan until the Group is in the financial position to repay the amount.

29. CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 23 to 32.

30. DIVIDEND POLICY

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall consider the following factors before declaring or recommending dividends:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(d) the Group's liquidity position;

(e) 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 Group; and

(f) other factors that the Board may consider relevant and appropriate.

Such declaration and payment of dividend by the Company is also subject to any restrictions under the Cayman Islands laws, any applicable laws, rules and regulations and the Company's articles of association.

31. INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, Octal Capital Limited (the "**Compliance Adviser**"), save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 13 November 2016, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

32. SUFFICIENCY OF PUBLIC FLOAT

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

33. AUDITORS

The consolidated financial statements for the year ended 31 December 2018 have been audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

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

Hong Kong, 22 March 2019

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2018, the Company has complied with all the applicable code provisions of the Code, except for the deviation from code provision A.2.1 as described below.

Mr. Lam is the chairman of the Board and the chief executive officer of the Company and has been managing the Group's business and supervising the overall operations and management of the Group since 1990. The Directors consider that vesting the roles of the chairman of our Board and the chief executive officer of the Company in Mr. Lam is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. The Directors will review the corporate governance policies and compliance with the Code each financial period and comply with the "comply or explain" principle in the corporate governance report which will be included in the annual report for the year ended 31 December 2018.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

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

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

Pursuant to articles 83(3) and article 84 of the Articles, Mr. Tam Yiu Shing, Billy, Ms. Lam Kit Yan and Mr. Ho Kin Wai will retire from office as Directors at the forthcoming AGM, and being eligible, will offer themselves for re-election.

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

Mr. Tam Yiu Shing, Billy, being an executive Director has entered into a service agreement with the Company for an initial term of three years commencing from the 25 January 2019 and continuing thereafter until terminated by either party by giving not less than one months' prior written notice to the other.

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors during the year ended 31 December 2018.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2018 and as at the date of this report are as follows:

Executive Directors:
Mr. Lam Pak Ling
Mr. Cai Weiming
Mr. Wong Tsz Chun, Jacky
Mr. Tam Yiu Shing, Billy (appointed on 25 January 2019)

Non-executive Director:
Mr. Choi, Chung Yin (resigned on 10 August 2018)

Independent Non-executive Directors:
Mr. Mak Kwok Kei
Ms. Lam Kit Yan
Mr. Ho Kin Wai

The brief biographic details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 11 to 15 of the annual report.

The Company has complied with the requirements under Rule 5.05(1) and (2), and 5.05A of the GEM Listing Rules during the year ended 31 December 2018. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 5.09 of the GEM Listing Rules.

FUNCTIONS OF THE BOARD

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

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

BOARD MEETINGS AND PROCEDURES

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

Details of the attendance of the Board meetings, audit committee (the "**Audit Committee**") meetings, remuneration committee (the "**Remuneration Committee**") meetings and nomination committee (the "**Nomination Committee**") meetings and general meetings of the Company held during the year ended 31 December 2018 are summarized as follows:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Annual General meeting
Executive Directors					
Mr. Lam Pak Ling	5/5	*4/4	1/1	1/1	1/1
Mr. Cai Weiming	5/5	N/A	N/A	N/A	1/1
Mr. Wong Tsz Chun, Jacky	5/5	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Choi Chung Yin	3/3	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Mak Kwok Kei	4/4	4/4	1/1	1/1	1/1
Ms. Lam Kit Yan	4/4	4/4	N/A	N/A	1/1
Mr. Ho Kin Wai	4/4	4/4	1/1	1/1	0/1

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

BOARD COMMITTEES

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

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

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

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

AUDIT COMMITTEE

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

During the year ended 31 December 2018 and to the date of this report, the Audit Committee had reviewed the final results of the Group for the year ended 31 December 2017, the first quarterly results (and related quarterly report) of the Group for the three months ended 31 March 2018, the interim results (and interim report) of the Group for the six months ended 30 June 2018 and the third quarterly results (and related quarterly report) of the Group for the nine months ended 30 September 2018. The Group's final results for the year ended 31 December 2018 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee is of the view that the annual results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

REMUNERATION COMMITTEE

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

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

The Remuneration Committee held one meeting during the year ended 31 December 2018 to review the remuneration packages and performance bonus of the Directors and the senior management.

NOMINATION COMMITTEE

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

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

The Nomination Committee held one meeting during the year ended 31 December 2018 to review the structure, size and composition of the Board, consider and recommend to the Board on the re-election of directors and assess the independence of the independent non-executive Directors.

DIVERSITY OF THE BOARD

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

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

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

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

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

The Company will from time to time provide briefings to all Directors to refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the trainings received by each of the Directors (including directors' induction training) up to 31 December 2018 are summarised as follows:

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

A: attending seminars/conferences/forums

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

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

COMPANY SECRETARY

Mr. Tam Yiu Shing, Billy, a member of the Hong Kong Institution of Certified Public Accountants, has been the company secretary of the Company since 14 March 2017.

All Directors have access to the advice and services of the company secretary. The company secretary reports to the Chairman on board governance matters, and is responsible for ensuring that board procedures are followed, and for facilitating communications among Directors as well as with shareholders of the Company (the "**Shareholders**") and management. During the year ended 31 December 2018, the company secretary has taken no less than 15 hours of relevant professional training.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged Deloitte Touche Tohmatsu as its principal auditor for the year ended 31 December 2018. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the principal auditor. During the year ended 31 December 2018, the fee payable to Deloitte Touche Tohmatsu in respect of its statutory audit services provided to the Group was HK$1,200,000.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

Principal Risks

During the year ended 31 December 2018, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks.

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

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

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

THE SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

Lapco Holdings Limited

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

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

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

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

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Lapco Holdings Limited ("**Lapco**", the "**Company**", "**We**", or "**Our**") presents this Environmental, Social and Governance ("**ESG**") Report for the year ended 31 December 2018 (the "**Reporting Period**" or "**FY18**"), in accordance with Appendix 20 – Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**").

REPORTING SCOPE

This report covers the Company's principal businesses in cleaning and pest management, waste management and recycling, and landscaping services in Hong Kong. The report is prepared in accordance with the ESG Reporting Guide, and includes material ESG issues as identified by the Company's ESG working group and stakeholder engagement which are directly controlled by the Company.

ESG WORKING GROUP

The Board of Directors of the Company holds the overall responsibility for the Company's ESG strategy and reporting. With the aim of better managing the Company's ESG performance and its corresponding issues and risks affecting the effectiveness of ESG management systems, the Company has established an ESG working group to formulate and translate policies into actions, while facilitating exchange of best practices with other benchmark companies. The ESG working group collects and analyses data, evaluates performance and reports major issues to the Board on a periodic basis, and ensures compliance with ESG-related laws and regulations.

The ESG working group arranges regular meetings to discuss and monitor current and upcoming plans in managing the Company's strategic goals in sustainable development, and to mitigate any potential risks or issues that could be material to the Company's environmental and labour performance, minimizing the impact to business operations. At the same time, the ESG working group also comes together to evaluate the effectiveness of existing policies, and develop remedies to enhance ESG policy performances. In addition to the Company's robust risk management and internal control systems, a third party professional consultant has been engaged for the Company's annual assessment of internal controls so as to identify potential risk and control deficiencies and recommend on necessary improvements.

ESG STRATEGY

As the Company's sustainable development vision, we envision to integrate environmentally friendly practices into all dimensions of the business services to maintain sustainable development for the wider society. As such, we are committed to upholding the quality of services to clients, and to establishing a solid and long-lasting relationship with stakeholders based on core values through mindfulness of social, economic and environmental responsibilities of our society.

The Company pledges to uphold its social responsibilities. In order to align with these goals, the following sustainable development strategies have been implemented through our ESG development plans:

- Align and balance expectations of stakeholders to the Company's long-term business strategy;
- Promote green work and awareness through implementation of environmental sustainability initiatives;
- Improve production and service model to reduce environmental impacts from business operations;
- Monitor impact of business operations on the environment regularly;
- Advocate equal opportunities and firmly oppose to all acts of discrimination;

- Strict compliance with labour laws and regulations in protecting employee rights and interests;
- Ensure safe working environment for employees;
- Provide employees with sufficient training and development resources in assisting them with self-development; and
- Promote social welfare and philanthropy.

These policies are approved by the management, and are practiced by all employees throughout the Company.

STAKEHOLDER ENGAGEMENT

The Company takes an extra mile in integrating the expectations of our stakeholders to truly understand their concerns, with the aim to maximize greater economic output and business value while keeping in line with the Company's long term sustainable development goals.

To achieve this, the Company launched an internal and external stakeholder engagement process that involves the identification and clarification of such expectations with our stakeholders, which includes employees, clients, investors and stockholders, suppliers and business partners, government and supervising authorities, social groups and public, and the media. We continuously and actively engage with our stakeholders through diverse stakeholder engagement methods as listed below:

Stakeholder Groups	Engagement Methods
Employees	Internal emails and publications Meetings and briefings Training Employee Activities Performance Appraisal
Clients	Corporate Website Client Service Hotline Client Survey Client Meetings
Investors and Stockholdersw	Annual General Meeting Annual and Interim Report Press Release and Announcements
Suppliers and Business Partners	Business Meeting Performance Evaluation Field Visitation
Government and Supervising Authorities	Public Consultation

MATERIALITY ASSESSMENT

We conducted a materiality assessment through a stakeholder engagement process based on the outlined established channels with our stakeholder groups. The following outlines the procedures of the assessment:

Identify Potential ESG Issues

- **ESG Reporting Guide:** Pinpointing initial ESG issues through making reference to the ESG reporting guide of the Stock Exchange
- **Peer benchmark:** Tracking and comparing material ESG issues against comparable peer companies

Stakeholder Evaluation

- **Questionnaires and Interviews:** Assessing and evaluating key material ESG issues through invitation of internal and external stakeholders to rank the importance of each ESG issue

Prioritize

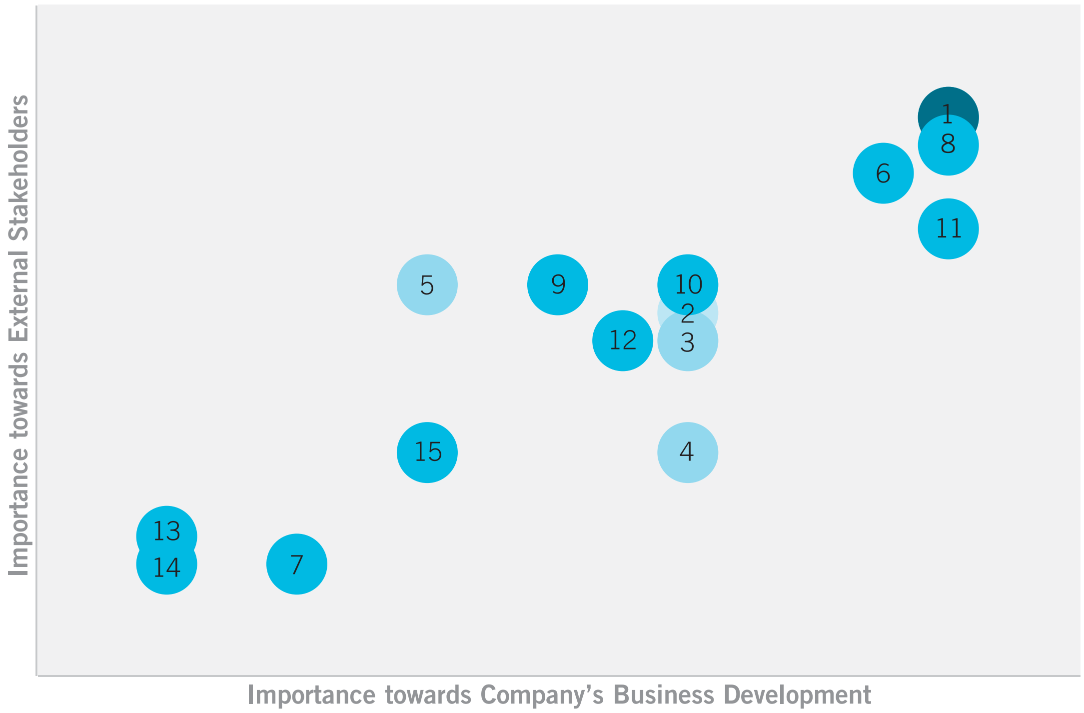
- **ESG Materiality Ranking:** Taking results from issues identification and stakeholder evaluation to generate ESG materiality ranking

Validate

- **Validation:** Management and working group of the Company to validate and confirm the applicable material ESG issues, and how it links to the respective HKEx Aspects, KPIs, and listing rules requirements.

Allocating equal weighting to the score responses of each external stakeholder group, their average scores plot on the "Importance towards external stakeholders" axis, while the responses by the Group's management and employees that possesses greater understanding of the company's business operations are recorded on the "Importance towards company's business development" axis.

In accordance with the results from this stakeholder engagement exercise, we have structured the following list of material ESG issues identified by each stakeholder group:



Categories	#	*ESG Issues*
General	1	Compliance
A1	2	Air Emission and Carbon Footprint
A1	3	Waste Management
A2	4	Efficient Use of Resources
A3	5	Environmental Impacts from Business Operations
B1	6	Recruitment, Compensation, Promotion, Dismissal, and other Employee Benefits
B1	7	Diversity and Equal Opportunity
B2	8	Workplace and Occupational Health and Safety
B3	9	Employee Development and Training
B4	10	Anti-child and Forced Labour
B5	11	Sustainable Procurement
B6	12	Service Quality Assurance
B6	13	Data Privacy and Protection
B7	14	Anti-corruption and Anti-fraud
B8	15	Community Investment

ENVIRONMENT

Having a clean environment is one of the earth's most valuable resources. Lapco recognizes that as a corporate citizen, it is our responsibility to minimize the environmental impact of our business operations. As such, we are driving environmental sustainability by innovating in the highest impact areas of our business. We incorporate ESG practices fundamentally into the core of our business strategy and operational practices, with a clear aim of conducting our businesses in the most environmental-friendly manner, in order to create long term value for both the Company and the environment alike.

Aspect A1: Emissions

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

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

Air Emission and Carbon Footprint

Mobile vehicles are our major source of air emission. Hence we have taken a step to integrate vehicle emissions reduction in our sustainable business practice. One of the measures to reduce the environmental impact of vehicles is selection of green vehicles. In our vehicle procurement process, environmental performance of vehicles is one of the critical determinant factors in our selection and comparison. We prefer vehicles with higher fuel efficiency and fewer pollutants. We also aim to enhance fuel consumption efficiency of the vehicles through qualified maintenance and repair services performed by qualified personnel, which at the same time help ensure vehicle emissions comply with the emission standards as stipulated in the Air Pollution Control Ordinance (Cap.311) of Hong Kong.

In FY18, over 80% of Lapco's vehicles were Euro V standard vehicles and we have been increasing the use of such environmental-friendly models. Adoption of Euro V vehicles could bring striking environmental benefits, notably an 80% reduction of sulphur dioxide from motor vehicles[1]. All of our Euro V standard vehicles below 2.5 tonnes consume Euro V petroleum, which could reduce motor vehicle emissions of carbon monoxide, nitrogen oxides and hydrocarbons by approximately 10%[1]. All of our Euro V standard vehicles above 2.5 tonnes consume Euro V diesel, which is effective in reducing respiratory suspended particulates by 5%[1]. The table below shows the generation of Nitrogen Oxides, Sulphur Oxides and Particulate Matter from the use of vehicles during the Reporting Period:

Emission	Unit	2017	2018
Nitrogen Oxides (NO_x)[2]	kg	28,952	22,975
Sulphur Oxides (SO_x)[3]	kg	55	42
Particulate Matter (PM)[2]	kg	2,288	1,794

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

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

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

From the above data disclosure, we could see a decrease in generation of all three types of air emissions from the use of vehicles. We would keep our effort in lowering the vehicle emissions arising from our services rendered.

Likewise, the use of clean and formulated fuel in vehicles is effective in slowing atmospheric build-up of carbon dioxide, which halts global warming. During the Reporting period, the total carbon dioxide equivalent (CO_2e) emissions was approximately 7,038,798 kg[4] (9,156,819 kg in FY17), with an intensity of 1,167 kg/ft^2 (1,518 kg/ft^2 in FY17). Apart from the fuel combustion of vehicles, another major source of greenhouse gases is electricity consumption. Details of our continued initiatives in reducing our carbon footprint are covered in Section A2 Efficient Use of Resources.

Waste Management

We are constantly monitoring our waste generation and the methods in handling and disposal of waste. We uphold the principles of waste management and is committed to the proper handling and disposal of all wastes from our business activities. We ascertain that all of our waste management practices comply with the relevant laws and regulations in all material aspects, namely the Waste Disposal Ordinance (Cap. 354) of Hong Kong. We aim to reduce adverse consequences on the environment and the public through our waste management policies. We currently apply the principle of waste hierarchy which we prefer to prevent and reuse waste than disposing them.

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

We strive to minimize the usage of common office consumables, such as paper and plastic water bottles. We promote the use of electronic communication and encourage employees to reduce, reuse, and recycle waste paper. In addition, the used plastic water bottles would be collected and returned to vendors for re-use while other operational waste would be collected and disposed at public refuse collection points under the Food and Environmental Hygiene Department of Hong Kong. Responsible supervisors are also assigned to regularly review environmental performances for our operations.

During the Reporting Period, no material hazardous waste was produced. The major non-hazardous waste generated was 6,040 kg (7,770 kg in FY17) of paper, while 333 kg (595 kg in FY17) of plastic water bottles were used, collected and returned to vendors. The decline in the production of such non-hazardous waste reflects the Company's efficient implementation of green efforts in reducing unnecessary waste consumption.

4 The Carbon Dioxide Equivalent emissions consist of Carbon Dioxide, Methane, Nitrous Oxide and CLP Electricity Emissions calculations. Such calculations are based on the EPD's "Guidelines to Account for and Report Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, and the "Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong" published by the University of Hong Kong and City University of Hong Kong, and the Greenhouse Gas Protocol. The CLP electricity emissions factor is based on the figures published in CLP 2017 Sustainability Report.

Aspect A2: Uses of Resources

Efficient Use of Resources

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

Resource	Consumption			Intensity		
	2017	2018	Unit	2017	2018	Unit
Electricity	92,912 (restated)	89,358	kWh	15.4 (restated)	14.8	kWh/ft^2
Petroleum Electricity	12,926	9,624	L	137	114	L/project
Diesel	3,440,378	2,621,651	L	36,599	31,210	L/project

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

Total petroleum and diesel consumption from our business operations has shown a general decrease in energy usage and its resulting intensity. The decrease in such consumption was due to closer monitoring of our vehicle fleets usage during our project services, which has benefitted the Company in cost saving and in turn promote environmentally friendly practices socially.

Likewise, our electricity consumption across the Company during the Reporting Period has decreased to 89,358 kWh, leading on to a lowered intensity of 14.8 kWh/ft^2. This reflects our efforts in energy consumption saving through the green commitments practiced throughout our business operations and services. Owing to our operation model and terms of contracts with clients, our electricity and water for the cleaning services are directly provided and controlled by the clients and the amount of usage highly depends on external environmental factors such as cleanliness of the street areas and specific demand from clients. Hence, the Company is in a passive position to measure and control electricity and water usage for our services, and no usage statistics of water are available. However, we still endeavour to improve efficiency of resource usage in all aspects of our operations by introducing advanced technologies, regular maintenance of machinery and tools, adopting green practices in office, implementing water stewardship efforts, as well as employee education and engagement. These are covered in detail below.

i. Advanced Technologies

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

ii. Regular Maintenance

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

iii. Green Practice

Shortage of natural resources is a global area of concern. We work to establish a more sustainable business by focusing on our resource conservation and water stewardship efforts where we can have the greatest impact. We have developed several energy-saving principles and green practice in our workplace. Examples of such green practice include:

- Switching off idle office equipment, lighting and air-conditioning;
- Preference in usage of energy efficient products in our offices such as florescent bulbs, fluorescent bulbs, LED lamps, electrical appliances with higher energy consumption efficiency;
- Maintain the average indoor temperature of our office workspace between 24 and 26°C during the summer time in active support of the "Energy Saving Charter on Indoor Temperature" established by the Government of Hong Kong Special Administrative Region.

We would constantly monitor the electricity consumption from our office operations, and evaluate the existing action plans on environmental protection in order to demonstrate our long-term support on green practice.

iv. Water Stewardship

Owing to our operational business model, our water consumption is directly provided by our clients or publicly sourced by government, therefore we have no difficulty in sourcing water. Such consumption quantity is based on client's demand and is not directly controllable by us. As such, relevant disclosure is considered not applicable. Despite the Company's passive position in controlling water consumption, we continue to establish a more sustainable business by focusing our water stewardship efforts on areas where we can have the greatest impact. Such areas include improving water-use efficiency and reuse, and helping to manage water resources in our supply chain, for example the water coming from our clients and/or the government. Our projects are all carried out in Hong Kong and there is no difficulties to get water for our cleaning projects.

v. Employee Education and Engagement

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

Aspect A3: The Environment and Natural Resources

Environmental Impacts from Business Operations

We are fully committed to minimizing environmental impacts associated with our business activities, and strive to uphold our environmental performance standards through the establishment of an Environmental Management System ("**EMS**"). We currently possess the certification for ISO 14001:2015, an accreditation in the EMS in the provision of cleaning, pest control and waste management services. The ISO 14001 has strengthened our company-wide focus on continuous improvement and enabled a common vision in managing environmental processes across the Company. The EMS also includes an incident management mechanism to deal with all incidents arising from our operations which will bring adverse impact to the environment. An incident response team has been established to be responsible for incident handling processes such as incident detection and recording, investigation and analysis, resolution and incident closure. Operation personnel would also ensure that cleaning detergents and disinfectants sourced for each service project are non-hazardous products and bring minimal impacts on to the environment. The management system is reviewed at the beginning of each business year and environmental performance is measured based on the results of reviews conducted for each individual service projects. Internal reviews are also supplemented by regular external inspections.

SOCIAL

Aspect B1: Employment

Recruitment, Compensation, Promotion, Dismissal, and other Employee Benefits

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

We have developed the Human Resources Policy to govern compensation, dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare, in accordance with relevant employment rules and regulations stimulated in the Employment Ordinance (Cap. 57) and Employees' Compensation Ordinance (Cap. 282) of Hong Kong. Our Human Resources Policy is regularly reviewed and updated to ensure compliance with the latest labour laws and regulations, while Human Resources Department will strictly adhere to such Policy by imposing adequate internal controls in their operations.

As at 31 December 2018, the composition of our employees by gender is as below:

Number of Employees		%
Male	1,622	45.5
Female	1,945	54.5
Total	3,567	100

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

In addition, we also perform annual performance appraisal on our staff through a coherent performance management mechanism, which includes the following principles: specific, measurable, actionable, realistic, and timely. Such performance appraisal provides a basis for employees to understand their strengths and weaknesses, and to strengthen mutual understanding and communication between staff and the Company. Results could also be used as reference for related personnel decisions including salary increment, bonus allocation, promotion, transferral, job rotations and other arrangements.

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

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

Diversity and Equal Opportunity

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

All of our diversity and equal opportunity policies are in compliance with ordinances and its respective codes of practices, which includes the Sex Discrimination Ordinance (Cap. 480), Disability Discrimination Ordinance (Cap. 487), Family Status Discrimination Ordinance (Cap. 527), and Race Discrimination Ordinance (Cap. 602) supported by the Hong Kong Equal Opportunities Commission ("**EOC**").

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

Aspect B2: Health and Safety

Workplace and Occupational Health and Safety

Occupational health and safety is of top priority for our operation. A healthy workforce is the foundation of long-term success to any company, and it is not an exception to Lapco. Lapco contributes to promoting and sustaining the physical and mental performance of its employees. To ensure this, our service line is certified in accordance with the internationally recognized OHSAS 18001, the Occupational Health and Safety Assessment Series, that ensures sound performance and promotes a robust workplace safety management system. The implementation of such system also ensure tight compliance with the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong.

Lapco has established the Safety Manual for providing instructions to employees on work safety. In addition, we have implemented a set of workplace safety measures to protect our employees.

Employees are required to receive training on how to use relevant machines and tools and must be well equipped before they provide services to our clients. Supervisors are assigned to take the responsibility of overseeing the operations and make immediate responses and notify the management if any hazards in the workplace are noted. Other activities such as periodic safety training and fire and evacuation drills are conducted in order to maintain and raise our employees' safety awareness and knowledge in safety. Employees are also encourage to give opinions on safety procedures to the management.

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

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

Aspect B3: Development and Training

Employee Development and Training

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

Aspect B4: Labour Standards

Anti-Child and Forced Labour

We strictly comply with the Labour Law in Hong Kong, in particular the Employment Ordinance (Cap.57), and prohibit the employment of child and forced labour of any kind in our operations and services. Labour being forced to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly prohibited. Children who are below the age as set by the Labour Law are not allowed to be employed with the strict screening procedures by Human Resources Department. All employees are encouraged to report to the Company at any time for any suspected non-compliance incidents such as employment of child and forced labour during the course of our recruitment and operation.

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

Aspect B5: Supply Chain Management

Sustainable Procurement

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

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

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

Aspect B6: Product Responsibility

Service Quality Assurance

We are devoted to high quality of services and are certified with ISO 9001:2015 for our provision of cleaning, pest control and waste management services. We uphold the highest level of integrity through ethical marketing and sourcing, ensuring that we procure products from suppliers with high transparency and accountability, fair trade principles and good working conditions, and ensure that we market our products and services in an open, fair and honest way. We have invested in the areas of human resources, information management, infrastructure and equipment, professional skills and techniques in order to maintain a high quality service. Management support in investment of resources and their active participation in daily operations of business also contribute to the maintenance and enhancement of service quality.

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

Data Privacy Policy

We value the confidentiality of personal data and are committed to protecting customer information with care. Therefore, we have implemented the appropriate data protection measures in order to comply with the Personal Data (Privacy) Ordinance (Cap. 486) ("**PDPO**").

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

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

Aspect B7: Anti-corruption

Anti-corruption and Anti-fraud

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

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

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

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

Aspect B8: Community Investment

Supporting the Community

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

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Lapco Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 51 to 111, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of trade receivables from non-government customers	
We identified the estimated impairment of trade receivables from non-government customers as a key audit matter due to the use of significant estimates by the management in assessing the impairment of trade receivables from non-government customers under the expected credit loss ("ECL") model using the provision matrix. As disclosed in note 4 to the consolidated financial statements, the carrying amount of trade receivables from non-government customers as at 31 December 2018 is HK$5,126,000. In determining the impairment of trade receivables from non-government customers, the management of the Group assessed the balance collectively using a provision matrix with reference to (i) average loss rates applied in the provision matrix, which are based on the Group's historical default rates, taking into account both quantitative and qualitative information that is reasonable and supportable, and forward-looking information that is available without undue costs or effort; and (ii) past due aging analysis of trade receivables from non-government customers. No impairment of trade receivables from non-government customers was recognised during the year ended 31 December 2018.	Our procedures in relation to estimated impairment of trade receivables from non-government customers included: • Obtaining an understanding of how the management assesses the impairment of trade receivables from non-government customers under the ECL model using the provision matrix; • Assessing the reasonableness of the key data inputs used in determination of average loss rates applied in the provision matrix, on a sample basis, and challenging the assumptions, including both historical settlement history and forward-looking information used; • Testing the accuracy of the past due ageing analysis of the trade receivables from non-government customers, on a sample basis, by comparing with the relevant sales invoices; and • Re-performing the calculation of the impairment based on the average loss rates applied in the provision matrix and the past due ageing analysis of the trade receivables from non-government customers.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 HK$'000	2017 HK$'000
Revenue	5	**529,838**	448,021
Cost of services		**(504,604)**	(418,842)
Gross profit		**25,234**	29,179
Other income	6	**1,132**	953
Other gains and losses	6	**(197)**	440
Administrative expenses		**(32,188)**	(24,142)
Listing expenses		**–**	(9,749)
Finance costs	7	**(6,865)**	(5,128)
Loss before taxation	10	**(12,884)**	(8,447)
Income tax credit	11	**1,197**	208
Loss and total comprehensive expense for the year attributable to owners of the Company		**(11,687)**	(8,239)
Loss per share			
– Basic *(HK cents)*	13	**(2.92)**	(2.31)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	As at 31 December 2018 HK$'000	2017 HK$'000
Non-current assets			
Plant and equipment	14	**83,966**	97,156
Deposits and prepayments	16	**5,602**	19,112
Deposits for acquisition of plant and equipment		**233**	495
		89,801	116,763
Current assets			
Trade receivables	15	**129,778**	119,889
Other receivables, deposits and prepayments	16	**25,694**	24,148
Tax recoverable		**1,651**	2,132
Pledged bank balances	17	**21,790**	9,080
Bank balances and cash	17	**11,458**	21,470
		190,371	176,719
Current liabilities			
Trade payables	18	**7,242**	5,816
Other payables and accrued charges	19	**38,694**	40,680
Provisions	20	**5,078**	4,190
Amount due to a related party	21	**–**	13
Bank borrowings	22	**110,220**	98,788
Obligations under finance leases	23	**22,510**	23,511
		183,744	172,998
Net current assets		**6,627**	3,721
Total assets less current liabilities		**96,428**	120,484
Non-current liabilities			
Provisions	20	**1,020**	2,020
Deferred tax liabilities	24	**933**	2,960
Obligations under finance leases	23	**43,976**	53,318
		45,929	58,298
Net assets		**50,499**	62,186

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
Capital and reserves			
Issued share capital	25	**4,000**	4,000
Reserves		**46,499**	58,186
Equity attributable to owners of the Company		**50,499**	62,186

The consolidated financial statements on pages 51 to 111 were approved and authorised for issue by the Board of Directors on 22 March 2019 and are signed on its behalf by:

Lam Pak Ling
DIRECTOR

Tam Yiu Shing, Billy
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Issued share capital *HK$'000*	Share premium *HK$'000*	Other reserve *HK$'000* *(note 1)*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1 January 2017	8	–	10,192	24,863	35,063
Loss and total comprehensive expense for the year	–	–	–	(8,239)	(8,239)
Effect of reorganisation	(8)	–	8	–	–
Issue of new shares	800	39,200	–	–	40,000
Capitalisation issue *(note 2)*	3,200	(3,200)	–	–	–
Transaction costs attributable to issue of new shares	–	(4,638)	–	–	(4,638)
At 31 December 2017	4,000	31,362	10,200	16,624	62,186
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(11,687)**	**(11,687)**
At 31 December 2018	**4,000**	**31,362**	**10,200**	**4,937**	**50,499**

Notes:

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

(2) On 18 July 2017, a sum of approximately HK$3,200,000 standing to the credit of the share premium account of the Company was capitalised by paying up in full at par at total of 319,999,680 shares of the Company for allotment and issue to the persons whose name appeared on register of members of the Company at the close of business on 24 June 2017.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Year ended 31 December 2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(12,884)**	(8,447)
Adjustments for:		
Depreciation of plant and equipment	**30,118**	23,488
Interest income	**(931)**	(618)
Gain on disposal/written-off of plant and equipment, net	**(1,999)**	(263)
Finance costs	**6,865**	5,128
Operating cash flows before movements in working capital	**21,169**	19,288
Increase in trade receivables	**(9,889)**	(47,344)
Decrease (increase) in other receivables, deposits and prepayments	**12,722**	(17,618)
Increase in trade payables	**1,426**	2,668
(Decrease) increase in other payables and accrued charges	**(1,986)**	16,653
(Decrease) increase in amount due to a related party	**(13)**	2
(Decrease) increase in provisions	**(112)**	1,006
Increase in factoring trade receivables with recourse	**13,468**	52,230
Cash generated from operations	**36,785**	26,885
Income tax paid	**(349)**	(4,380)
NET CASH FROM OPERATING ACTIVITIES	**36,436**	22,505
INVESTING ACTIVITIES		
Interest received	**173**	98
Deposits paid for acquisition of plant and equipment	**–**	(495)
Purchases of plant and equipment	**(136)**	(4,788)
Proceeds from disposal of plant and equipment	**2,079**	441
Placement of pledged bank balances	**(12,710)**	(9,080)
Withdrawal of pledged bank balances	**–**	9,080
Repayment from a controlling shareholder	**–**	6,273
Advance to a controlling shareholder	**–**	(3,912)
NET CASH USED IN INVESTING ACTIVITIES	**(10,594)**	(2,383)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December 2018 HK$'000	2017 HK$'000
FINANCING ACTIVITIES		
Interest paid	**(6,865)**	(5,128)
Proceeds from issuance of shares	**–**	40,000
Transaction costs attributable to issue of shares	**–**	(4,638)
Repayment of obligations under finance leases	**(26,953)**	(24,525)
New bank borrowings raised	**6,648**	7,833
Repayment of bank borrowings	**(8,684)**	(16,818)
NET CASH USED IN FINANCING ACTIVITIES	**(35,854)**	(3,276)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(10,012)**	16,846
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**21,470**	4,624
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**11,458**	21,470

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pursuant to steps (i) to (iii) detailed above, Sharp Idea has become the intermediate holding company of Lapco Service, Shiny Glory and Shiny Hope and they are always been controlled by Controlling Shareholders before and after the reorganisation. Pursuant to steps (iv) to (x) detailed above, the Company became the holding company of the companies now comprising the Group by interspersing the Company and other investment holding companies between Sharp Idea and the Ultimate Owners since 14 June 2017. The Group comprising the Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Hong Kong (International Financial Reporting Interpretation Committee) Interpretation ("**HK(IFRIC) – INT**") 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to Hong Kong Accounting Standard ("**HKAS**") 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Cleaning services income;
- Pest management services income;
- Waste management and recycling services income; and
- Landscaping services income.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

The application of HKFRS 15 does not have a significant impact on the timing and amounts of revenue recognised in the respective reporting periods but results in more disclosures made to the consolidated financial statements.

2.2 HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits without restating comparative information.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 HKFRS 9 "Financial Instruments" and the related amendments (Continued)

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables from government customers have been assessed individually, while trade receivables from non-government customers have been assessed collectively using a provision matrix grouped with past due status.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, deposits and prepayments, pledged bank balances and bank balances, are measured on 12-month ECL ("**12m ECL**") basis and there had been no significant increase in credit risk since initial recognition.

For pledged bank balances and bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies and consider the risk of default is low and 12m ECL is insignificant.

As at 1 January 2018, no additional credit loss allowance has been recognised against accumulated profits as the amount of additional credit loss allowance has no material impact on the consolidated financial statements of the Group as at 1 January 2018.

New and amendments to HKFRSs in issue but not yet effective

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

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 "Leases"

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitment of HK$2,685,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable deposits paid of HK$326,000 as at 31 December 2018 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the amounting policies set out below.

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

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

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

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

The principal accounting policies adopted are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

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

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

The Group recognises revenue under HKFRS 15 mainly from (i) cleaning services; (ii) pest management services; (iii) waste management and recycling services; and (iv) landscaping services.

Under the terms of these contracts, the customers of the Group simultaneously receive and consume the benefits provided by the Group's performance as the Group performs and thus these income are recognised over time.

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.

Revenue recognition (prior to 1 January 2018)

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

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

Service income is recognised when services are provided.

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

Plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment loss on assets other than financial assets

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

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

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

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

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

Leases

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

The Group as lessee

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Payment for life insurance policies

Since 1 January 2018, payment for life insurance policies is stated in the consolidated statement of financial position at cost adjusted for interest income and service charges, less impairment losses, if any.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

Amortised cost and interest income

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

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, deposits, pledged bank balances and bank balances.) The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for all government customers and collectively for non-government customers using a provision matrix with past due status groupings.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(ii) Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

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

Loans and receivables

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

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

Impairment of loans and receivables (before application of HKFRS 9 on 1 January 2018)

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

Objective evidence of impairment could include:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

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

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

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

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

Derecognition of financial asset

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Retirement benefits costs

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

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Provisions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated impairment of trade receivables from non-government customers

The impairment of trade receivables from non-government customers is estimated under the ECL model using the provision matrix. The management of the Group assessed the balance collectively using a provision matrix with reference to (i) average loss rates applied in the provision matrix, which are based on the Group's historical default rates, taking into account both quantitative and qualitative information that is reasonable and supportable, and forward-looking information that is available without undue costs or effort; and (ii) past due aging analysis of trade receivables from non-government customers. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables from non-government customers are disclosed in notes 28 and 15 respectively.

The carrying amount of trade receivables from non-government customers is HK$5,126,000. No impairment of trade receivables from non-government customers was recognised during the year ended 31 December 2018 as the amount of ECL has no material impact on the consolidated financial statements as at 31 December 2018.

5. REVENUE AND SEGMENT INFORMATION

Revenue

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

(i) For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

	2018 *HK$'000*
Types of services	
Cleaning services	360,767
Pest management services	79,923
Waste management and recycling services	88,543
Landscaping services	605
	529,838
Types of customers	
Government	507,476
Non-government	22,362
Timing of revenue recognition	
Over time	529,838

Performance obligations for contracts with customers

The performance obligation is the promise to provide cleaning services, pest management services, waste management and recycling services and landscaping services over the contract period. These services considered to be distinct as they are both regularly supplied by the Group to other customers on a stand-alone basis and are available for customers from other providers in the market. Under the terms of these contracts, the customers of the Group simultaneously receive and consume the benefits provided by the Group's performance as the Group performs (i.e. cleaning services, pest management services, waste management and recycling services and landscaping services rendered by the Group under contracts with the customers with fixed consideration) and thus these income are recognised over time.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

(i) For the year ended 31 December 2018 (Continued)

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Cleaning services HK$'000	Pest management services HK$'000	Waste management and recycling services HK$'000	Landscaping services HK$'000
Within one year	276,796	59,303	89,355	608
More than one year but not more than two years	23,095	5,348	88,440	608
More than two years	3,188	–	88,621	101
	303,079	64,651	266,416	1,317

(ii) For the year ended 31 December 2017

An analysis of the Group's revenue from services by segments for the year is as follows:

	2017 HK$'000
Types of services	
Cleaning services	327,807
Pest management services	43,353
Waste management and recycling services	75,924
Landscaping services	937
	448,021

Segment information

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

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

	Cleaning services HK$'000	Pest management services HK$'000	Waste management and recycling services HK$'000	Landscaping services HK$'000	Total HK$'000
For the year ended 31 December 2018					
Segment revenue – external customers	**360,767**	**79,923**	**88,543**	**605**	**529,838**
Segment results	**16,304**	**5,369**	**3,547**	**14**	**25,234**
Other income					**1,132**
Other gains and losses					**(197)**
Administrative expenses					**(32,188)**
Finance costs					**(6,865)**
Loss before taxation					**(12,884)**
For the year ended 31 December 2017					
Segment revenue – external customers	327,807	43,353	75,924	937	448,021
Segment results	17,703	3,684	7,783	9	29,179
Other income					953
Other gains and losses					440
Administrative expenses					(24,142)
Listing expenses					(9,749)
Finance costs					(5,128)
Loss before taxation					(8,447)

There was no inter-segment revenue for both years.

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	Cleaning services *HK$'000*	Pest management services *HK$'000*	Waste management and recycling services *HK$'000*	Landscaping services *HK$'000*	Total *HK$'000*
As at 31 December 2018					
Segment assets	135,288	21,118	56,885	47	213,338
Certain plant and equipment					406
Certain other receivables, deposits and prepayments					31,529
Tax recoverable					1,651
Pledged bank balances					21,790
Bank balances and cash					11,458
Total assets					280,172
Segment liabilities	31,681	7,776	7,019	53	46,529
Certain other payables and accrued charges					5,505
Bank borrowings					110,220
Obligations under finance leases					66,486
Deferred tax liabilities					933
Total liabilities					229,673

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

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

- all assets are allocated to operating and reportable segments other than certain plant and equipment, certain other receivables, deposits and prepayments, tax recoverable, pledged bank balances and bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain other payables and accrued charges, bank borrowings, obligations under finance leases and deferred tax liabilities.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

	Cleaning services HK$'000	Pest management services HK$'000	Waste management and recycling services HK$'000	Landscaping services HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2018							
Additions to plant and equipment	**6,632**	**8,742**	**1,633**	**1**	**17,008**	**–**	**17,008**
Depreciation of plant and equipment	**12,325**	**4,213**	**13,519**	**1**	**30,058**	**60**	**30,118**
Gain on disposal/written off of plant and equipment, net	**1,361**	**302**	**334**	**2**	**1,999**	**–**	**1,999**
For the year ended 31 December 2017							
Additions to plant and equipment	28,911	38	46,887	1	75,837	142	75,979
Depreciation of plant and equipment	11,220	1,844	10,031	78	23,173	315	23,488
Gain on disposal/written off of plant and equipment, net	192	45	26	–	263	–	263

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services provided and the Group's plant and equipment amounting to HK$83,966,000 (2017: HK$97,156,000) as at 31 December 2018 are all located in Hong Kong by physical location of assets.

Information about major customers

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

	Year ended 31 December 2018 HK$'000	2017 HK$'000
Customer A[1]	**445,911**	341,132
Customer B[2]	**N/A[3]**	60,054

1 Revenue from cleaning services, waste management and recycling services and landscaping services.
2 Revenue from cleaning services and waste management and recycling services.
3 The corresponding revenue did not constitute over 10% of the total revenue of the Group.

6. OTHER INCOME/OTHER GAINS AND LOSSES

Other income

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**173**	98
Interest income from payment for life insurance policies	**758**	520
Sundry income	**201**	335
	1,132	953

Other gains and losses

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Gain on disposal/written off of plant and equipment, net	**1,999**	263
Net foreign exchange gains	**99**	177
Loss on life insurance policies	**(2,295)**	–
	(197)	440

7. FINANCE COSTS

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings	**4,159**	3,152
Obligations under finance leases	**2,706**	1,976
	6,865	5,128

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Directors' fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *HK$'000* *(note iii)*	Contributions to retirement benefits scheme *HK$'000*	Total emoluments *HK$'000*
Year ended 31 December 2018					
Executive directors:					
Mr. Lam *(Chairman and chief executive)*	**2,022**	**–**	**200**	**18**	**2,240**
Mr. Cai Weiming ("**Mr. Cai**")	**660**	**–**	**45**	**18**	**723**
Mr. Wong Tsz Chun, Jacky ("**Mr. Wong**")	**510**	**–**	**35**	**18**	**563**
Non-executive director:					
Mr. Choi Chung Yin ("**Mr. Choi**") *(note i)*	**146**	**–**	**–**	**–**	**146**
Independent non-executive directors:					
Mr. Mak Kwok Kei ("**Mr. Mak**") *(note ii)*	**120**	**–**	**–**	**–**	**120**
Ms. Lam Kit Yan ("**Ms. Lam**") *(note ii)*	**120**	**–**	**–**	**–**	**120**
Mr. Ho Kin Wai ("**Mr. Ho**") (*note ii*)	**120**	**–**	**–**	**–**	**120**
Total	**3,698**	**–**	**280**	**54**	**4,032**
Year ended 31 December 2017					
Executive directors:					
Mr. Lam	989	610	200	18	1,817
Mr. Cai	260	235	156	18	669
Mr. Wong	198	140	81	16	435
Non-executive director:					
Mr. Choi *(note i)*	125	–	–	–	125
Independent non-executive directors:					
Mr. Mak *(note ii)*	62	–	–	–	62
Ms. Lam *(note ii)*	62	–	–	–	62
Mr. Ho (*note ii*)	62	–	–	–	62
Total	1,758	985	437	52	3,232

Notes:

(i) Mr. Choi resigned as an non-executive director of the Company on 10 August 2018.

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

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

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

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

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included two (2017: two) directors for the year ended 31 December 2018 whose emoluments are included in the disclosures in (a). The emoluments of the remaining three (2017: three) non-director employees for the year ended 31 December 2018 were as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Salaries and other benefits	**3,295**	2,480
Discretionary bonus *(note)*	**255**	436
Retirement benefits scheme contributions	**54**	54
	3,604	2,970

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

Their emoluments were within the following bands:

	Year ended 31 December	
	2018	2017
	Number of employees	*Number of employees*
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–

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

10. LOSS BEFORE TAXATION

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	**1,200**	1,200
Depreciation of plant and equipment	**30,118**	23,488
Directors' remuneration *(note 8)*	**4,032**	3,232
Other staff costs		
Salaries, bonuses and other benefits	**402,729**	328,952
Retirement benefits scheme contributions	**11,855**	10,509
Total staff costs	**418,616**	342,693
Minimum lease payments under operating leases in respect of land and buildings	**1,349**	1,306

11. INCOME TAX CREDIT

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
– Current tax	**(805)**	(206)
– Underprovision in previous years	**(25)**	(216)
Deferred tax credit *(note 24)*	**2,027**	630
	1,197	208

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, 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%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Loss before taxation	**(12,884)**	(8,447)
Tax at Hong Kong Profits Tax rate of 16.5%	**2,126**	1,394
Tax effect of income not taxable for tax purpose	**4**	45
Tax effect of expenses not deductible for tax purpose	**(963)**	(1,868)
Underprovision in previous years	**(25)**	(216)
Utilisation of tax losses previously not recognised	**–**	799
Others	**55**	54
Income tax credit for the year	**1,197**	208

11. INCOME TAX CREDIT (Continued)

Subsequent to the end of the reporting period, Hong Kong Inland Revenue Department initiated tax enquiries on the Hong Kong subsidiaries of the Company for the years of assessment from 2011/12 onwards. The scope and outcome of the tax audit cannot be readily ascertained at this stage. The directors of the Company believed that no significant amount of additional profits tax will be payable by the Group and no provision for additional Hong Kong Profits Tax is necessary at this initial stage.

12. DIVIDEND

No dividends were paid, declared and proposed by the Company during the year ended 31 December 2018 (2017: nil).

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

13. LOSS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(11,687)**	(8,239)

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**400,000,000**	356,602,740

The weighted average number of ordinary shares for the purpose of calculating loss per share has been determined on the assumption that the reorganisation and the capitalisation issue (details as disclosed in note 25) had been effective on 1 January 2017.

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

14. PLANT AND EQUIPMENT

	Leasehold Improvements *HK$'000*	Office equipment *HK$'000*	Site equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1 January 2017	569	540	10,390	88,286	99,785
Additions	–	143	224	75,612	75,979
Disposals/written-off	–	–	–	(868)	(868)
At 31 December 2017	569	683	10,614	163,030	174,896
Additions	–	–	13	16,995	17,008
Disposals/written-off	–	–	(117)	(3,046)	(3,163)
At 31 December 2018	569	683	10,510	176,979	188,741
DEPRECIATION					
At 1 January 2017	321	149	8,225	46,247	54,942
Provided for the year	186	128	789	22,385	23,488
Eliminated on disposals/written-off	–	–	–	(690)	(690)
At 31 December 2017	507	277	9,014	67,942	77,740
Provided for the year	62	134	740	29,182	30,118
Eliminated on disposals/written-off	–	–	(102)	(2,981)	(3,083)
At 31 December 2018	569	411	9,652	94,143	104,775
CARRYING VALUES					
At 31 December 2018	–	272	858	82,836	83,966
At 31 December 2017	62	406	1,600	95,088	97,156

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

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

At 31 December 2018, the carrying values of motor vehicles included an amount of HK$73,228,000 (2017: HK$85,104,000) in respect of assets held under finance leases.

15. TRADE RECEIVABLES

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$129,778,000 and HK$119,889,000, respectively.

The following is an analysis of the trade receivables by types of customers.

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Government customers	**124,652**	112,529
Non-government customers	**5,126**	7,360
	129,778	119,889

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
0–30 days	**44,615**	50,677
31–60 days	**43,208**	49,910
61–90 days	**28,441**	14,856
91–180 days	**13,364**	3,820
Over 180 days	**150**	626
	129,778	119,889

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$13,514,000 which are past due as at the reporting date. Out of the past due balances, HK$13,364,000 has been past due 1-90 days and is not considered as in default as the Group has good understanding on the financial position of the counterparties and with satisfactory settlement history. The remaining balance of HK$150,000 has been past due over 90 days, the directors of the Company do not consider these receivables as credit-impaired as these customers have good business relationships with the Group and recurring overdue records of these customers were supported by satisfactory settlement history. The Group does not hold any collateral over these balances.

15. TRADE RECEIVABLES (Continued)

As at 31 December 2017, 96% of trade receivables are neither past due nor impaired. These customers have no default of payment in the past and have good credit quality.

As at 31 December 2017, included in the Group's trade receivables were debtors with aggregate carrying amount of HK$4,446,000 which were past due as at the reporting date for which the Group had not provided for impairment loss as there had not been a significant change in credit quality of the trade receivables and the amounts are still considered recoverable. The Group did not hold any collateral over these balances.

Ageing analysis of trade receivables which are past due but not impaired based on invoice dates:

	As at 31 December 2017 HK$'000
91–180 days	3,820
Over 180 days	626
	4,446

The trade receivables past due but not provided for as at 31 December 2017 were either subsequently settled or no historical default of payments was noted by the respective customers and the management of the Group considered that no impairment is required.

At 31 December 2018, carrying amount of trade receivables amounted to HK$115,171,000 (2017: HK$107,390,000) have been pledged as security for the Group's bank borrowings.

Details of impairment assessment of trade receivables, other receivables and deposits for the year ended 31 December 2018 are set out in note 28.

Transfer of financial assets

The followings were the Group's trade receivables as at 31 December 2018 and 2017 that were transferred to banks by factoring trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the trade receivables and has recognised the cash received on the transfer as secured bank borrowings (see note 22). These financial assets were carried at amortised cost in the Group's consolidated statement of financial position.

	As at 31 December	
	2018 ***HK$'000***	2017 *HK$'000*
Carrying amount of transferred assets	**115,171**	107,390
Carrying amount of associated liabilities	**(96,338)**	(82,870)
Net position	**18,833**	24,520

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Rental, utilities and other deposits	**1,794**	2,086
Payment for life insurance policies *(Note ii)*	**17,643**	17,787
Prepayment for life insurance policies *(Note iii)*	**933**	910
Receivable from a motor vehicle supplier *(Note iv)*	**–**	5,490
Deposits paid to an insurance company *(Note v)*	**–**	7,271
Other receivables	**5,565**	3,289
Prepayments	**5,361**	6,427
Total	**31,296**	43,260
Presented as non-current assets	**5,602**	19,112
Presented as current assets	**25,694**	24,148
Total	**31,296**	43,260

Notes:

(i) Amount includes rental deposits paid of HK$133,000 (2017: HK$133,000) in respect of non-cancellable operating leases with related parties as disclosed in note 31.

(ii) In previous years, the Group entered into five life insurance policies to insure Mr. Lam and Ms. Wong and paid single premium of US$2,316,923 (equivalent to approximately HK$18,072,000), in aggregate, to banks at inception.

During the year ended 31 December 2018, the Group entered into a life insurance policy with a bank to insure Mr. Lam and paid single premium of US$564,473 (equivalent to approximately HK$4,403,000) at inception.

In addition, during the year ended 31 December 2018, the directors of the Company decided to terminate three life insurance policies with a bank and up to the date of approval for issuance of these consolidated financial statements, the bank is in the process of the termination application. The loss on these surrendered policies recognised in profit or loss is US$250,247 (equivalent to approximately HK$1,952,000).

On the other hand, the Group terminated another life insurance policy with loss of US$43,960 (equivalent to HK$343,000 recognised in profit or loss) during the year ended 31 December 2018.

Under all the existing life insurance policies, the Group is the beneficiary and policy holder and the aggregate insured sum is US$7,361,211 (2017: US$7,688,354). The Group can, at any time, withdraw cash based on the account value of these policies ("Account Value") at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus any charges made in accordance with the terms and conditions of these policies. If withdrawal is made during the surrender period stated in these policies (i.e. between 1st and 15th to 18th policy year), there is a specified amount of surrender charge deducted from Account Value. The insurance companies will pay the Group a guaranteed interest rate from 3.65% to 4.40% per annum for the first to three years and a variable return per annum afterwards (with guaranteed minimum interest rate of 2% per annum) during the effective period of the policies.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(ii) *(Continued)*

At the inception date, the gross premium paid by the Group included a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the life insurance policies.

The balance of the deposits of life insurance policies is denominated in US$, being a currency other than the functional currency of the relevant group entity.

(iii) The amount represents the prepayment of policies premium charges and are recognised in profit or loss over the expected life of the policies.

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

(v) During the year ended 31 December 2017, the Group placed cash deposits for an aggregate amount of HK$7,271,000 to an insurance company for issuing performance guarantee of HK$18,178,000 in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers for a period of 24 months. The balance was classified as current asset based on the expectation of the management of the Group to realise the deposits within twelve months after the reporting period with the replacement of the performance guarantee of the same amount to be issued by a bank. During the year ended 31 December 2018, such deposits paid to an insurance company was refunded to the Group.

Details of impairment assessment of other receivables and deposits for the year ended 31 December 2018 are set out in note 28.

17. PLEDGED BANK BALANCES/BANK BALANCES AND CASH

Pledged bank balances represents balances pledged to banks to secure the banking facilities (including the bank borrowings and performance guarantee) granted to the Group, and carried with prevailing market interest rates ranging from 0.01% to 0.95% (2017: 0.01% to 2.50%) per annum.

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rates from 0.01% to 0.95% (2017: 0.01% to 2.50%) per annum.

Details of impairment assessment of pledged bank balances and bank balances for the year ended 31 December 2018 are set out in note 28.

18. TRADE PAYABLES

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
0–30 days	**2,179**	2,782
31–60 days	**1,045**	1,398
61–90 days	**1,219**	1,520
Over 90 days	**2,799**	116
	7,242	5,816

19. OTHER PAYABLES AND ACCRUED CHARGES

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Salaries payables	**33,212**	37,361
Other payables and accrued charges	**5,482**	3,319
	38,694	40,680

20. PROVISIONS

	Redundancy cost and annual leave
	HK$'000
At 1 January 2017	5,204
Payment during the year	(3,017)
Provided for the year	4,023
At 31 December 2017	6,210
Payment during the year	(3,961)
Provided for the year	3,849
At 31 December 2018	6,098

20. PROVISIONS (Continued)

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Presented as non-current liabilities	**1,020**	2,020
Presented as current liabilities	**5,078**	4,190
	6,098	6,210

The Group provides for the probable future redundancy cost expected to be made to the project-based employees with employment period of not less than two years when the employees are dismissed by the Group upon the end of the employment period under the Hong Kong Employment Ordinance. The provision represents management's best estimate of probable future payments which have been earned by the employees from the dismissal of redundancy up to the end of the reporting period.

21. AMOUNT DUE TO A RELATED PARTY

Amount due to a related party

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

	As at 31 December	
Name	**2018**	2017
	HK$'000	*HK$'000*
Kwok Tai Cleaning Service Company Limited ("**Kwok Tai**") *(note)*	–	13

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
0–30 days	–	13

22. BANK BORROWINGS

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Secured bank overdrafts	**3,370**	3,478
Secured bank borrowings:		
Term loans	**10,512**	12,440
Loans from factoring of trade receivables with full recourse	**96,338**	82,870
	110,220	98,788
Carrying amounts repayable*:		
Within one year	**105,287**	90,107
More than one year, but not exceeding two years	**1,416**	2,802
More than two years, but not more than five years	**2,997**	4,256
More than five years	**520**	1,623
	110,220	98,788
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	**(110,220)**	(98,788)
Amounts shown under non-current liabilities	**–**	–

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

As at 31 December 2017, bank borrowings of HK$1,720,000 were unguaranteed.

The banking facilities were secured and/or guaranteed by as at 31 December 2018 and 2017:

(i) the pledged bank balances of HK$21,790,000 (2017: HK$9,080,000) as at 31 December 2018;

(ii) all life insurance policies of the Group;

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

(iv) the pledge of the Group's trade receivables with aggregate values of HK$115,171,000 (2017: HK$107,390,000) as at 31 December 2018;

(v) unlimited corporate guarantee provided by certain subsidiaries of the Group as at 31 December 2018 and 2017.

22. BANK BORROWINGS (Continued)

In addition, the bank borrowings were also secured/guaranteed by as at 31 December 2017:

(i) four properties and each property is owned by Ms. Wong, CCE Limited, a company owned by Mr. Lam, LES Limited, a company owned by Mr. Lam and CCT Limited, a company owned by Ms. Wong as at 31 December 2017; and

(ii) unlimited personal guarantee provided by the Controlling Shareholders as at 31 December 2017.

The pledge of properties by Ms. Wong and related companies and personal guarantee by the Controlling Shareholders were released during the year ended 31 December 2018.

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

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Effective interest rate per annum:		
Floating-rate borrowings	**2.25%–5.38%**	2.25%–5.25%

23. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current liabilities	**22,510**	23,511
Non-current liabilities	**43,976**	53,318
	66,486	76,829

The Group has leased certain of its motor vehicles under finance leases. The lease terms were ranged from three to five years for both years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.35% to 3.00% per annum (2017: 1.35% to 2.50% per annum) as at 31 December 2018.

23. OBLIGATIONS UNDER FINANCE LEASES (Continued)

	Minimum lease payments As at 31 December		Present value of minimum lease payments As at 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Obligations under finance leases payable:				
Within one year	**24,632**	25,819	**22,510**	23,511
Within a period of more than one year but not more than two years	**22,087**	20,942	**20,642**	19,303
Within a period of more than two years but not more than five years	**24,287**	35,782	**23,334**	34,015
	71,006	82,543	**66,486**	76,829
Less: future finance charges	**(4,520)**	(5,714)	**–**	–
Present value of lease obligations	**66,486**	76,829	**66,486**	76,829
Less: Amount due for settlement with 12 months (shown under current liabilities)			**(22,510)**	(23,511)
Amount due for settlement after 12 months			**43,976**	53,318

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets and corporate guarantee provided by a subsidiary of the Group as at 31 December 2018 and 2017.

24. DEFERRED TAX LIABILITIES

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

	Tax loss	Accelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2017	–	(3,590)	(3,590)
Credit (charge) to profit or loss *(note 11)*	3,733	(3,103)	630
At 31 December 2017	3,733	(6,693)	(2,960)
Credit (charge) to profit or loss *(note 11)*	2,410	(383)	2,027
At 31 December 2018	6,143	(7,076)	(933)

At 31 December 2018, the Group has unused tax loss of HK$37,233,000 (2017: HK$22,627,000) available for offset against future profits. Deferred tax asset has been recognised in respect of such losses. Unused tax losses may be carried forward indefinitely.

25. ISSUED SHARE CAPITAL

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

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 2018	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2017	1	–
Issue of shares on 14 June 2017 *(note i)*	319	–
Issue of shares on 18 July 2017 *(note ii)*	80,000,000	800
Capitalisation issue *(note iii)*	319,999,680	3,200
At 31 December 2017 and 2018	400,000,000	4,000

Notes:

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

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

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

26. COMMITMENTS

Operating Lease Commitments

The Group as lessee

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Within one year	**1,505**	519
In the second to fifth year inclusive	**1,180**	–
	2,685	519

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

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

Capital Commitments

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**–**	615

27. CAPITAL RISK MANAGEMENT

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

The Group's overall strategy remains unchanged throughout both years. The capital structure of the Group consists of debt, which includes bank borrowings and obligations under finance leases as disclosed in notes 22 and 23, respectively, and equity of the Group, comprising issued share capital, share premium, other reserve and accumulated profits.

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

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Financial assets at amortised cost	**168,979**	–
Loans and receivables (including cash and cash equivalents)	**–**	184,276
Financial liabilities		
Amortised cost	**122,944**	107,936

Financial risk management objectives and policies

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

Market risk

Currency risk

The Group has limited currency exposure as both the sales and direct costs were denominated in the functional currency of the respective group entities. However, the Group has payment for life insurance policies of HK$17,643,000 (2017: HK$17,787,000) denominated in foreign currency which expose the Group to foreign currency risk.

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

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to obligations under finance leases (note 23).

The Group is also exposed to cash flow interest rate risk in relation to the payment for life insurance policies (note 16), pledged bank balances and bank balances (note 17) as well as floating-rate bank borrowings (note 22) as at 31 December 2018 and 2017.

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

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

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

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade receivables, other receivables and deposits, pledged bank balances and bank balances and cash as at 31 December 2018 and 2017.

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) individually for trade receivables from government customers or using provision matrix on trade receivables from non-government customers with reference to (i) average loss rates applied in the provision matrix, which are based on the Group's historical default rates, taking into account both quantitative and qualitative information that is reasonable and supportable, and forward-looking information that is available without undue costs or effort; and (ii) past due aging analysis of trade receivables from non-government customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables and deposits

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable, supportive and forward-looking information that is available starting from 1 January 2018. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits.

Pledged bank balances and bank balances

The credit risks on pledged bank balances and bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies. No loss allowance provision for pledged bank balances and bank balances was recognised upon application of HKFRS 9 as the amount is insignificant. The Group has limited exposure to any single financial institution.

The Group has concentration of credit risks with exposure limited to certain customers. Top two customers which are departments of the government of the Hong Kong Special Administrative Region amounting to HK$115,171,000 (2017: HK$107,390,000) comprised approximately 89% (2017: 90%) of the Group's trade receivables as at 31 December 2018. The management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	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 tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2018	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amounts
					HK$'000
Financial assets at amortised costs					
Trade receivables (government)	15	N/A	Low risk (note 1)	Lifetime ECL	124,652
Trade receivables (non-government)	15	N/A	(note 1)	Lifetime ECL (provision matrix)	5,126
Other receivables and deposits	16	N/A	Low risk (note 2)	12m ECL	6,063
Pledged bank balances	17	Aa3 (note 3)	N/A	12m ECL	21,790
Bank balances	17	Aa3, A1, A2, A3 (note 3)	N/A	12m ECL	11,348

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

1. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables from government customers which are assessed individually, the Group determines the expected credit losses on trade receivables from non-government customers by using a provision matrix, grouped by past due status.

   For trade receivables from government customers, the credit risks are limited because the counterparties are governments and there was no history of defaults. ECL is expected to be insignificant upon application of HKFRS 9.

   As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its non-government customers in relation to its operation because these non-government customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables from non-government customers which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired).

   Gross carrying amount

	Average loss rate	Trade receivables – non-government customers *HK$'000*
Not past due and 1-30 days past due	0.1%	4,921
31-90 days past due	1.0%	55
Over 90 days past due	9.2%	150
		5,126

   During the year ended 31 December 2018, no impairment allowance was provided for trade receivables from non-government customers based on the provision matrix as the amount is insignificant.

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

2. For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due *HK$'000*	Not past due/ no fixed repayment terms *HK$'000*	Total *HK$'000*
Other receivables and deposits	–	6,063	6,063

3. The external credit rating is assessed according to Moody's Rating Scaling. The Group has pledged bank balances with a bank and bank balances with five banks, in which two banks rating as Aa3, one bank rating as A1, one bank rating as A2 and one bank rating as A3.

Liquidity risk

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

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

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing market rate at the end of the reporting period.

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Repayable on demand HK$'000	Within 1 year HK$'000	Within 1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2018						
Non-derivative financial liabilities						
Trade payables	**N/A**	**–**	**7,242**	**–**	**7,242**	**7,242**
Other payables and accrued charges	**N/A**	**–**	**5,482**	**–**	**5,482**	**5,482**
Bank borrowings	**5.13**	**110,220**	**–**	**–**	**110,220**	**110,220**
Obligations under finance leases	**1.95**	**–**	**24,632**	**46,374**	**71,006**	**66,486**
		110,220	**37,356**	**46,374**	**193,950**	**189,430**
As at 31 December 2017						
Non-derivative financial liabilities						
Trade payables	N/A	–	5,816	–	5,816	5,816
Other payables and accrued charges	N/A	–	3,319	–	3,319	3,319
Amount due to a related party	N/A	–	13	–	13	13
Bank borrowings	4.83	98,788	–	–	98,788	98,788
Obligations under finance leases	1.72	–	25,819	56,724	82,543	76,829
		98,788	34,967	56,724	190,479	184,765

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 December 2018, the aggregate carrying amount of these bank borrowings amounted to HK$110,220,000 (2017: HK$98,788,000). Taking into account of the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayments. The management of the Group believes that such bank borrowings of the Group will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

	Weighted average effective interest rate %	Within 1 year HK$'000	Within 1 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Bank borrowings:						
As at 31 December 2018	**5.13**	**110,753**	**4,660**	**524**	**115,937**	**110,220**
As at 31 December 2017	4.83	94,676	7,458	1,654	103,788	98,788

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

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of the Group's financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings *HK$'000*	Obligations under finance leases *HK$'000*	Total *HK$'000*
At 1 January 2018	98,788	76,829	175,617
Financing cash flows *(Note)*	(6,195)	(29,659)	(35,854)
Loan from factoring of trade receivables included in operating activities	13,468	–	13,468
Purchase of plant and equipment through finance lease *(note 30)*	–	16,610	16,610
Finance costs recognised	4,159	2,706	6,865
At 31 December 2018	**110,220**	**66,486**	**176,706**

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

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

30. MAJOR NON-CASH TRANSACTIONS

Additions to plant and equipment of HK$16,610,000 (2017: HK$71,191,000) for the year ended 31 December 2018 were made under the finance leases.

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

31. RELATED PARTY TRANSACTIONS

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

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Total building management fee, rent and rates paid or payable to:		
CCT Limited	**336**	341
Source Mega Inc. Limited ("**Source Mega**") (Note)	**282**	289
LES Limited	**276**	287
Subcontracting fee paid or payable to Kwok Tai	**69**	13

Note: Source Mega is owned by Ms. Wong.

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Within one year	**797**	391
In the second to fifth year inclusive	**895**	–
	1,692	391

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the years ended 31 December 2018 and 2017 were as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Short-term benefits	**6,074**	5,103
Post-employment benefits	**90**	88
	6,164	5,191

32. RETIREMENT BENEFITS SCHEME

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

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

The contributions paid and payable to the scheme by the Group are disclosed in notes 8 and 9.

33. CONTINGENT LIABILITIES

As at 31 December 2018, performance guarantee of HK$72,802,000 (2017: HK$71,544,000) and Nil (2017: HK$18,178,000) were given by banks and an insurance company respectively in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantee have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantee will be released upon completion of the service contracts. The performance guarantee were granted under the banking facilities with details as set out in notes 22.

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

34. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2018, two shareholders of the Company entered into shareholder's loan agreements with a wholly-owned subsidiary of the Company pursuant to which shareholders' loan with aggregate amount of HK$6,500,000 was advanced to the Group which is unsecured, interest-free. Both shareholders have agreed not to demand for repayment on the shareholders' loan until the Group is in the financial position to repay the amount.

35. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at 31 December 2018	2017	Principal activities
Sharp Idea	The BVI	Hong Kong	US$1,000	100%	100%	Investment holding
Lapco Service	Hong Kong	Hong Kong	HK$7,900,000 (2017: HK$5,800,000)	100%	100%	Provision of cleaning services in Hong Kong
Shiny Glory	Hong Kong	Hong Kong	HK$5,000,000	100%	100%	Provision of cleaning services in Hong Kong
Shiny Hope	Hong Kong	Hong Kong	HK$1	100%	100%	Provision of transportation services to group companies in Hong Kong

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

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 ***HK$'000***	2017 *HK$'000*
Non-current asset		
Investments in subsidiaries	**18,278**	18,278
Current assets		
Other receivables, deposits and prepayments	**194**	185
Amounts due from subsidiaries	**600**	–
Bank balances	**165**	165
	959	350
Current liabilities		
Other payables and accrued charges	**1,169**	1,526
Amount due to a subsidiary	**3,739**	–
	4,908	1,526
Net current liabilities	**(3,949)**	(1,176)
Net assets	**14,329**	17,102
Capital and reserves		
Share capital	**4,000**	4,000
Reserves	**10,329**	13,102
Total equity	**14,329**	17,102

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

Movement in the Company's reserves

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2017	–	(7,243)	(7,243)
Loss and total comprehensive expense for the year	–	(11,017)	(11,017)
Issue of new shares	39,200	–	39,200
Capitalisation issue	(3,200)	–	(3,200)
Transaction costs attributable to issue of new shares	(4,638)	–	(4,638)
At 31 December 2017	**31,362**	**(18,260)**	**13,102**
Loss and total comprehensive expense for the year	**–**	**(2,773)**	**(2,773)**
As 31 December 2018	**31,362**	**(21,033)**	**10,329**

FINANCIAL SUMMARY

	Year ended 31 December			
	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**529,838**	448,021	404,124	363,467
(Loss) profit before taxation	**(12,884)**	(8,447)	12,452	18,144
Income tax credit (expense)	**1,197**	208	(3,663)	(3,056)
(Loss) profit for the year	**(11,687)**	(8,239)	8,789	15,088
Attributable to owners of the Company	**(11,687)**	(8,239)	8,789	15,088

	As at 31 December			
	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities				
Total assets	**280,172**	293,482	151,815	163,374
Total liabilities	**(229,673)**	(231,296)	(116,752)	(137,100)
	50,499	62,186	35,063	26,274
Attributable to owners of the Company	**50,499**	62,186	35,063	26,274