



**Winning Tower Group Holdings Limited**  
**運興泰集團控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 8362**

**2017**  
**ANNUAL REPORT**

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

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

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Lai King Wah (*Chairman of the Board*)  
Mr. Lai Ho Yin Eldon (*Chief Executive Officer*)  
Mr. Ho Timothy Kin Wah

## NON-EXECUTIVE DIRECTORS

Mr. Yu Ting Hei  
Mr. Chow Kuen Chung  
Ms. Ho Lai Sze Jacqueline

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Chun Wai  
Mr. Lo Sun Tong  
Mr. Lam Lai Kiu Kelvin

## AUDIT COMMITTEE

Mr. Lo Sun Tong (*Chairperson*)  
Mr. Chau Chun Wai  
Mr. Lam Lai Kiu Kelvin

## NOMINATION COMMITTEE

Mr. Lai King Wah (*Chairperson*)  
Mr. Chau Chun Wai  
Mr. Lo Sun Tong

## REMUNERATION COMMITTEE

Mr. Chau Chun Wai (*Chairperson*)  
Mr. Lo Sun Tong  
Mr. Lai King Wah

## COMPLIANCE OFFICER

Mr. Ho Timothy Kin Wah

## COMPANY SECRETARY

Mr. Tsang Hing Bun

## AUTHORIZED REPRESENTATIVES

Mr. Lai Ho Yin Eldon  
Mr. Tsang Hing Bun

## COMPLIANCE ADVISER

Kingsway Capital Limited

## AUDITOR

Ernst & Young  
Certified Public Accountants

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

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

Unit 803, 8/F  
Riley House  
88 Lei Muk Road  
Kwai Chung  
New Territories  
Hong Kong

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

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## LEGAL ADVISOR AS TO HONG KONG LAWS

David Fong & Co.

## PRINCIPAL BANKER

Shanghai Commercial Bank Limited

## COMPANY'S WEBSITE

[www.wtgl.hk](http://www.wtgl.hk)

## STOCK CODE

8362

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors and the management, I am excited to present you with the first chairman's statement and the annual results of Winning Tower Group Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017.

On 30 June 2017, the Group was successfully listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Listing on a globally recognized stock exchange represents a landmark of the Group's business that it has reached to a certain scale and is also a recognition of efforts paid by every staff of the Group. In addition, it has laid a solid foundation for the Company.

However, we are not satisfied with the status quo and keep striving for a better and stronger business. In fact, we have spent over HK\$28 million mostly from the proceeds raised from the listing to acquire two factory premises for the expansion of the Group's cold storage and processing capacity and spending another HK\$11 million approximately for renovating the Company's refrigeration facility and strengthening the logistics team. Although the financial results of the year were unsatisfactory compared with that of the previous year, this was mainly due to the incurrence of one-off listing expenditures. I am confident that the financial performance will be back on track next year.

Lastly, I would like to say thank you to all of you for your support to the Company; in particular, thank you to all the staff and management of the Group. Without your efforts, Wining Tower cannot be what it is today. I am sincerely looking forward to sharing the Group's bright future with you hand in hand.

**Lai King Wah**  
*Chairman*

22 March 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Winning Tower Group Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is principally engaged in processing and trading of raw, frozen and cooked food products and provision of transportation services in Hong Kong.

On 30 June 2017, the Company was successfully listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). 350,000,000 shares (or 25% of the total issued shares) were allotted and sold to the public at HK\$0.2 per share and a total of approximately HK\$39.9 million was successfully raised.

The Group will continue to develop by maintaining its customer base while exploring any new business opportunities and expanding its business capacity by increasing its refrigeration capacity.

## USE OF PROCEEDS

From the listing date to 31 December 2017 (the “Review Period”), the net proceeds raised from listing as disclosed in the prospectus of the Company dated 19 June 2017 (the “Prospectus”) have been applied as follows:

	Planned use of proceeds as stated in the Prospectus (HK\$ million)	Actual use of proceeds during the Review Period (HK\$ million)
Acquisition of new factory premises	22.0	22.0
Renovation of new premises as refrigeration facility	8.8	2.3
Strengthening Group’s logistics team	2.4	–
Setting up human resources department	0.9	0.1
Upgrade of internal management system	0.7	0.1
Working capital and other corporate development	5.1	–
	<hr/> 39.9	<hr/> 24.5

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is the comparison of the business objectives as stated in the Prospectus and the actual objectives achieved during the Review Period:

	<b>Planned Business objective</b>	<b>Actual Business progress</b>
To continue to maintain the relations of the existing customers	To offer more tailor-made products and services To broaden our customer base into more restaurants and hotels	Commenced research and development discussions on new products with potential and existing customers
To expand processing capacity	To acquire a new factory premises and renovate it as a refrigeration facility	Acquired 2 premises and started renovation on one of the premises
To strengthen logistics team	To acquire three more vehicles equipped with refrigeration facilities before the end of 2018	Plan to order in the first half of 2018
To enhance internal support	To hire two new staff and set up and oversee human resources department	One new staff was employed as administrative assistant to handle a administration work  In the process of interviewing candidates for the human resource manager

## RESULTS AND FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2017, the Group recorded approximately HK\$133 million revenue as compared with last year's corresponding period of approximately HK\$134 million, representing a decrease of approximately 0.7%. The decrease was mainly due to the change in customers' preference choosing food of lower price.

### Cost of inventories consumed and loss before tax

For the year ended 31 December 2017, the Group's cost of inventories consumed and loss before tax from operations was approximately HK\$89.0 million and HK\$5.5 million respectively, while the cost of inventories consumed and profit before tax in last year's corresponding period was approximately HK\$88.2 million and approximately HK\$7.8 million respectively. The increase in cost of inventories consumed was mainly due to the increase of food cost while the loss before tax from operations was mainly due to the non-recurring listing expenses incurred for the listing on the GEM of the Company on 30 June 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS AND FINANCIAL REVIEW (Continued)

### Employee benefit expenses

For the year ended 31 December 2017, the Group's employee benefit expenses increased to approximately HK\$19.7 million from last year's corresponding period's approximately HK\$17.9 million which was attributable to increase in wages.

### Income tax expense

For the year ended 31 December 2017, the Group's income tax expense was approximately HK\$1.5 million which was lower than last year's corresponding period's approximately HK\$2.0 million. The decrease in tax expense was due to lower revenue and higher tax deductible expenses for the period.

### Loss for the year

Based on the above reasons, for the year ended 31 December 2017, the Group recorded a net loss for the period of approximately HK\$7.8 million versus a net profit of approximately HK\$4.7 million of last year's corresponding period.

## FINANCIAL KEY PERFORMANCE

The above financial data were chosen to present in this annual report as they represent a material financial impact on the financial statements of the Group for the current and/or the previous financial year, with that a change of which could affect the revenue and profit conspicuously. It is believed that by presenting the changes of these financial data can effectively explain the financial performance of the Group for the year ended 31 December 2017.

### Liquidity and financial resources

As at 31 December 2017, the Group had net current assets of approximately HK\$37.6 million (2016: net current liabilities approximately HK\$1.5 million), of which cash at bank consisted of approximately HK\$24.6 million (2016: approximately HK\$11.3 million). The increase in cash was due to the listing on 30 June 2017 that a net proceeds of approximately HK\$39.9 million was successfully raised but yet fully utilised. The Group had bank borrowings amounted to approximately HK\$24.3 million (31 December 2016: approximately HK\$28.3 million).

### Gearing ratio

As at 31 December 2017, the Group's gearing ratio was approximately 19.1% (2016: 40.8%), which is calculated based on the Group's total interest-bearing debt of approximately HK\$24.3 million (2016: HK\$28.3 million) and the Group's total equity of approximately HK\$127.0 million (31 December 2016: HK\$69.4 million).

### Capital structure

As at 31 December 2017, the Company had 1,400,000,000 issued shares at HK\$0.01 each. There has been no change in the Company's capital structure since its listing on 30 June 2017.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL KEY PERFORMANCE (Continued)

### Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period. To manage liquidity risk, the management closely monitors the Group's liquidity position and maintains sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group.

### Charge of assets

As at 31 December 2017, the Group's leasehold land and buildings held for own use with a net carrying amount of approximately HK\$92.8 million have been pledged to secure banking facilities granted to the Group.

### Currency risk

As at 31 December 2017, the Group did not have material currency risk exposures as most of the Group's transactions carried out are denominated in Hong Kong Dollars and US Dollars which either Hong Kong Dollars are pegged with or has been maintaining a stable currency rate for a long time.

### Capital commitments

As at 31 December 2017, the Group had material capital commitments of approximately HK\$2.1 million (31 December 2016: HK\$0.7 million).

### Contingent liabilities

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

### Event after report date

There were no significant events occurring after the year ended 31 December 2017.

### Material acquisitions and disposals of subsidiaries and affiliated companies

As at 31 December 2017, the Group did not have material acquisitions and disposals of subsidiaries and affiliated companies.

### Environmental policies and compliance with relevant laws and regulations

Please refer Section Environmental, Social and Governance Reporting below for details. No material impact of the relevant laws and regulations in relation to environment is identified on business operations.

### Key relationships with employees, customers and suppliers

Please refer to "Major Suppliers and Customers" and "Employees and Emolument Policy" sections in "Directors' Report".

# BIOGRAPHIES OF DIRECTORS

## EXECUTIVE DIRECTORS

**Mr. LAI King Wah** (黎景華, “Mr. Lai”), aged 66, is the founder of the business of our Group. He was appointed as the Chairman, executive Director of the Company on 3 January 2017 and is one of the controlling shareholders, chairman of nomination committee and member of remuneration committee. He is also a director of all the operating subsidiaries of our Group.

Mr. Lai has more than 40 years of experience in the food processing and trading industry in Hong Kong. Prior to founding the Group, he had worked for The Peninsula Group from September 1976 to May 1988 with his last position as an assistant group controller, Hyatt Auckland from August 1988 to June 1992 with his last position as a materials manager, The Hongkong Refrigerating Company Limited from July 1992 to January 1996 with his last position as a general manager, Dah Chong Hong, Limited as a deputy general manager (provisions department for hotel & air catering business) from July 1996 to March 1997, Ramada Hotel since April 1997 as an assistant financial controller and was then transferred to and worked for Tinian Dynasty Hotel & Casino from September 1997 to June 1998 with his last position as an internal auditor, and Dah Chong Hong, Limited again as an assistant general sales manager (food service department, provisions division) from February 1999 to April 2004.

Mr. Lai successfully completed three sessions, namely food and beverage control, wine and spirit management, and meat science and management, and a two-week session of hospitality financial management, both at the Center for Professional Development of the School of Hotel Administration at the Cornell University, New York in July 1982 and in July 1987, respectively. Mr. Lai is primarily responsible for overall strategic planning and management of our Group’s business development and operations. He is the father of Mr. Lai Ho Yin Eldon (“**Mr. Eldon Lai**”).

**Mr. LAI Ho Yin Eldon** (黎浩然), aged 39, was appointed as Chief Executive Officer, executive Director of the Company on 3 January 2017.

Mr. Eldon Lai has more than five years of experience in the food processing and trading industry in Hong Kong. Since March 2012, he joined our Group and worked for Winning Tower as a business development manager. In January 2016, he was transferred to Winning Tower Group and has been serving as a general manager until now. He contributed to the establishment of Jett Foods Asia Limited (“**Jett Foods**”) in October 2012 and is one of the directors. During these years, Mr. Eldon Lai was responsible for, among others, overall expansion strategy of our Group, management of the construction and renovation of our workshop, warehouse and ancillary office, administrative and operational management, communicating and liaising with suppliers and customers, and monitoring the financial situation.

Mr. Eldon Lai obtained a bachelor degree of arts and a diploma in teaching (primary) from The University of Auckland, New Zealand in September 2002 and May 2004 respectively. After graduation in 2004 and before joining our Group in 2012, Mr. Eldon Lai worked as a teacher in an intermediate school in Auckland, New Zealand. Mr. Eldon Lai is primarily responsible for overseeing daily management of our Group’s business development and operations. He is the son of Mr. Lai.

# BIOGRAPHIES OF DIRECTORS

## EXECUTIVE DIRECTORS (Continued)

**Mr. HO Timothy Kin Wah (何健華)**, aged 31, was appointed as executive Director on 3 January 2017. He was admitted a lawyer of the Supreme Court of New South Wales in August 2011 and a member of The Hong Kong Institute of Directors in August 2016.

Mr. Timothy Ho has more than five years of experience in the food processing and trading industry in Hong Kong. He contributed to the establishment of Jett Foods in October 2012 and is one of the directors of Jett Foods. During these years, Mr. Timothy Ho was responsible for, among others, administrative and operational management, communicating and liaising with suppliers and customers, managing inventory level, devising marketing strategy, business development opportunities and monitoring the financial situation.

Mr. Timothy Ho obtained a double bachelor degree of laws and science from The University of New South Wales, Australia in August 2010 and a diploma in innovation management from The University of New South Wales, Australia in August 2012. Mr. Timothy Ho is primarily responsible for overseeing daily management of our Group's business operations.

## NON-EXECUTIVE DIRECTORS

**Mr. YU Ting Hei (余庭曦)**, aged 32, was appointed as non-executive Director on 3 January 2017. Mr. Yu has more than eight years of experience in the food processing and trading industry in Hong Kong and Macau. He joined our Group and worked for Winning Tower from September 2008 to June 2012 with his last position as a manager. He has been working for Yau Heng Frozen Meat & Food Company Limited since September 2012, and is currently serving as an operation director. He contributed to the establishment of Jett Foods in October 2012 and is one of the directors of Jett Foods. During these years, Mr. Yu was responsible for, among others, handling customers' relationships and sales, development of business opportunities, logistics management, production planning and quality assurance.

Mr. Yu obtained a bachelor degree of science in business administration from the University of Bath, United Kingdom in June 2008. Mr. Yu is primarily responsible for providing strategic advice to our Group.

**Mr. CHOW Kuen Chung (周權忠)**, aged 53, was appointed as non-executive Director on 3 January 2017. He is a director of Winning Tower Group Limited, Winning Tower Limited, Maxford Logistics Limited and Winning Star Foods Limited. He was awarded a diploma of membership of Les Amis d' Escoffier Society, Inc in June 2006.

Mr. Chow has more than 35 years of experience in the food and beverage industry in Hong Kong. Prior to joining the Group, he had worked for Yung Kee Restaurant from August 1980 to September 1982 with his last position as an assistant chef. He served as a chef of East Ocean Seafood Restaurant from 16 December 1983 to 28 February 1987 and Treasure Pot Seafood Restaurant from 1 March 1987 to 28 February 1989. He joined as a chef in one of the restaurants operated by the Super Star Group in February 1989 and he is currently serving as a vice president. Mr. Chow is primarily responsible for providing strategic advice to our Group.

# BIOGRAPHIES OF DIRECTORS

## NON-EXECUTIVE DIRECTORS (Continued)

**Ms. HO Lai Sze Jacqueline** (何麗詩), aged 43, was appointed as non-executive Director on 3 January 2017. Ms. Ho has more than 17 years of experience in business development and operations in the food and beverage industry in Hong Kong. In July 2000, she joined the Super Star Group and is currently serving as the business development and operations director. She was also the deputy principal of an internal training school of the Super Star Group, with the name of “Super Star University”, which was established in 2007, with an aim to provide professional training to internal staff and to promote the corporate image of the Super Star Group.

Ms. Ho obtained a bachelor degree of social science from The Chinese University of Hong Kong in December 1996. After graduation in 1996 and before joining the Super Star Group in 2000, Ms. Ho worked in The Hongkong and Shanghai Banking Corporation Limited in Hong Kong as a counter service officer trainee from March 1997 to April 1997 and a counter service officer from April 1997 to December 1998. Ms. Ho was then a customer service officer from December 1998 to March 2000. Ms. Ho is primarily responsible for providing strategic advice to our Group.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. CHAU Chun Wai** (周振威), aged 65, was appointed independent non-executive Director, chairman of remuneration committee, member of audit committee and nomination committee on 5 June 2017. He became an associate member of the Hong Kong Institute of Personnel Management and an associate member of the Institute of Training and Development in May 1991 and March 1993 respectively.

Mr. Chau has more than 37 years of experience in the catering services industry. He worked for Cathay Pacific Airways Limited as a traffic officer from May 1973 to March 1976, Swire Air Caterers Limited from March 1976 to July 1995 with his last position as a deputy general manager, operations, Cathay Pacific Catering Services (H.K.) Limited from August 1995 to June 2002 with his last position as a general manager, John Swire & Sons (H.K.) Limited (secondment to Cathay Pacific Catering Services (H.K.) Limited) from July 2002 to June 2010 with his last position as a chief executive officer, and John Swire & Sons (H.K.) Limited (secondment to Hong Kong Airport Services Limited) as a managing director from July 2010 until his retirement in January 2014.

Mr. Chau obtained a diploma of management for executive development from The Chinese University of Hong Kong in September 1987 and a foundation diploma in management from The University of Hong Kong in June 1995. He is responsible for supervising and providing independent judgment to our Board, our remuneration committee, audit committee and nomination committee.

# BIOGRAPHIES OF DIRECTORS

## INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

**Mr. LO Sun Tong** (盧樂棠), aged 65, was appointed as independent non-executive Director, chairman of audit committee, member of our remuneration committee and nomination committee on 5 June 2017. He became a fellow of The Association of Certified Accountants in May 1982, and a fellow of the Hong Kong Society of Accountants in October 1985. He is also a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. Lo has more than 44 years of experience in the accounting and finance industry. He worked for KPMG from September 1972 to July 1978 with his last position as a senior assistant, John Swire & Sons (H.K.) Limited from July 1978 to April 1979 with his last position as an assistant to group accountant, Swire Pacific Limited from May 1979 to December 1985 with his last position as an accountant, Hana Technologies Limited (previously known as Swire Technologies Limited) from April 1986 to May 1999, and ASAT Limited as vice president and general manager from May 1999 to March 2002. From March 2002 up to now he has been serving as a partner of John Lo & Co.

**Mr. LAM Lai Kiu Kelvin** (林禮喬), aged 59, was appointed as independent non-executive Director and member of audit committee on 5 June 2017. He was admitted to practise law as a solicitor in Hong Kong in December 1999.

Mr. Lam has over 10 years of experience as a partner in a solicitor firm. He joined William K. W. Leung & Co. as an assistant solicitor in February 2000. From June 2002 to October 2002, he worked as an assistant solicitor at Jack Fong & Co. He became a consultant of Yu & Associates, Solicitors in October 2002 and subsequently a partner of it in November 2006. He obtained a bachelor's degree in law from the University of London by distance learning in August 1996 and a postgraduate certificate in laws from The University of Hong Kong in June 1997.

# DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

The Group is principally engaged in processing and sales of raw, frozen and cooked food products and provision of transportation services in Hong Kong. The principal activities of the principal subsidiaries are set out in note 1 to the financial statements.

## BUSINESS REVIEW AND PERFORMANCE

A fair review of the Group's businesses comprising analysis of the Group performance during the period under review using financial key performance indicators, description of the principal risks and uncertainties facing the Group, are set out in the section of "Management Discussion and Analysis" in this annual report.

## RESULTS

The Group's loss for the year ended 31 December 2017 and the Group's financial position at that date are set out in the financial statements on pages 45 to 107.

## DIVIDENDS

The Directors did not recommend any final dividend for the year ended 31 December 2017.

## RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 49 and note 26 to the financial statements respectively.

## PRE-EMPTIVE RIGHTS

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

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group, as extracted from the Prospectus and the consolidated financial statements of the Company for the year ended 31 December 2017, is set out on page 108 of the annual report. This summary does not form part of the audited financial statements.

# DIRECTORS' REPORT

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2017, save as disclosed in the Prospectus, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

## EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Group during the period from 30 June 2017 (the "Listing Date") to 31 December 2017.

## FUTURE PROSPECTS AND DEVELOPMENT

The Group has commenced research and development discussions on new products with potential and existing customers. The Group has acquired 2 new premises and renovation works are expected to be completed by second quarter of 2018. The Group also plan to acquire three more vehicles equipped with refrigeration facilities during the first half of 2018. These will allow as to increase the Group's production capacity.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

On 20 July 2017, the Group entered into a provisional agreement to purchase a property of Unit 1101, 11/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories for a consideration of HK\$13,999,980 for enhancing the Group's cold storage/processing capacity and the new factory premises is close to the existing processing facility to ensure efficiency, hygiene and food safety. It is expected that the consideration will be financed by way of the proceeds from the share offer. The vendor is an independent third party and the consideration is determined at arm's length negotiation. The formal sale and purchase agreement was entered into on 3 August 2017. The transaction has been completed in current year.

On 2 August 2017, the Group entered into a provisional agreement to purchase a property of Unit 805, 8/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories for a consideration of HK\$14,280,000 for enhancing the Group's cold storage/processing capacity and the new factory premises is close to the existing processing facility to ensure efficiency, hygiene and food safety. It is expected that the consideration will be financed as to (i) approximately HK\$8 million by way of the net proceeds from the Share Offer; and (ii) approximately HK\$6.3 million by way of a bank mortgage, bank borrowing and/or the Group's internal resources. The vendor is an independent third party and the consideration is determined at arm's length negotiation. The transaction has been completed in current year.

The Directors believe that the above two transactions are in the interests of the shareholders as a whole.

Save as disclosed above, the Group did not have material acquisitions, disposals and significant investments during the year ended 31 December 2017.

# DIRECTORS' REPORT

## DIRECTORS

The directors who held office during the Financial Year and up to the date of this annual report were:

### Executive Directors

Mr. Lai King Wah (*Chairman*)<sup>1</sup>  
Mr. Lai Ho Yin Eldon (*Chief Executive Officer*)<sup>1</sup>  
Mr. Ho Timothy Kin Wah<sup>1</sup>

### Non-executive Directors

Mr. Yu Ting Hei<sup>1</sup>  
Mr. Chow Kuen Chung<sup>1</sup>  
Ms. Ho Lai Sze Jacqueline<sup>1</sup>

### Independent non-executive Directors

Mr. Chau Chun Wai<sup>2</sup>  
Mr. Lo Sun Tong<sup>2</sup>  
Mr. Lam Lai Kiu Kelvin<sup>2</sup>

Notes:

1. Appointed on 3 January 2017.
2. Appointed on 5 June 2017.

By virtue of article 83(3) of the articles of association of the Company, Mr. Lai King Wah, Mr. Lai Ho Yin Eldon, Mr. Ho Timothy Kin Wah, Mr. Yu Ting Hei, Ms. Ho Lai Sze Jacqueline, Mr. Chau Chun Wai, Mr. Lo Sun Tong and Mr. Lam Lai Kiu Kelvin shall hold office until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at such meeting.

## CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules. As at the date of this report, the Board considers them to be independent.

## DIRECTORS' SERVICE CONTRACT AND THEIR REMUNERATION

Each of the executive Directors has entered into a service contract for a term of three years commencing from 5 June 2017.

Each of the non-executive Director and Independent non-executive director has entered into a letter of appointment Company for a period of three years commencing from 5 June 2017.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.



# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, no contracts of significance to which the company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MANAGEMENT CONTRACTS

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

## EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2017, the Group had 57 employees (2016: 53). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover.

The Company strictly complies with all the applicable rules and regulations in relation to employment, to name a few, the Employment Ordinance, Mandatory Provident Fund Ordinance and Personal Data (Privacy) Ordinance, etc. The Group has purchased all necessary insurance and made monthly contributions for its staff and has measures in place endeavored to protect all staff's personal information. There are channels for staff to express their opinions with regard to their work. Moreover, the Group also strives to provide a safe, healthy and harmonious workplace with fair and equal opportunities for staff of both gender.

In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

The emoluments of the Directors are recommended by the remuneration committee of the Company, having regard to the Group's operating results, market competitiveness, individual performance and achievement, to the Board for determination.

Details of the Directors' remuneration and the five highest paid individuals are set out in notes 9 and 10 to the financial statements.

## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2017, interests and 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 Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") are as follows:

#### Shares of associated corporations of the Company

Name of associated corporation	Name of Director	Number of shares	Approximate Percentage
Keyview Ventures Limited	Lai King Wah	6,975	24.53
Keyview Ventures Limited	Lai Ho Yin Eldon	307	1.07
Keyview Ventures Limited	Ho Timothy Kin Wah	815	2.86
Keyview Ventures Limited	Yu Ting Hei	5,407	29.01

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or 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 and short positions which were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDER'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 December 2017, other than the director and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Name of shareholder	Number of shares	Percentage to the issued share capital of the Company
Keyview Ventures Limited	1,050,000,000	75%

Save as disclosed above, as at 31 December 2017, no other persons had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

## SHARE OPTION SCHEME

The Company has a share option scheme (the "**Share Option Scheme**") which was approved and adopted by the shareholder of the Company by way of written resolution on 5 June 2017 which has a valid period of 10 years from the date of adoption of the Share Option Scheme (i.e., 5 June 2017, the "**Adoption Date**") to the tenth anniversary of the Adoption Date.

No share option has been granted under the Share Option Scheme since its adoption and as such, no options have been exercised, lapsed or cancelled as at 31 December 2017.

The following is a summary of the principal terms and conditions of the Share Option Scheme.

### Purpose

The purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contribution to the Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity.

### Participants

Subject to the Share Option Scheme and the GEM Listing Rules, the Board shall be entitled but shall not be bound at any time and from time to time within the scheme period to offer to grant to any participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an option to subscribe for such number of shares as the Board may determine at a price calculated in accordance with the Share Option Scheme.

Upon acceptance of the option, the Participant shall pay HK\$1.00 to our Company by way of consideration for the grant. The option will be offered for acceptance for a period of twenty-one days from the date on which the option is granted.

# DIRECTORS' REPORT

## SHARE OPTION SCHEME (Continued)

### Maximum amount of shares

The total number of Shares which may be issued upon exercise of all Options (excluding for this purpose Options which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue. Our Company may refresh the 10% limit by seeking prior approval from Shareholders in a general meeting. The total number of Shares which may be issued upon exercise of all Options after the limit as refreshed, in aggregate, must not exceed 10% of the Shares in issue at the date of such Shareholders' approval from the Shareholders. Our Company may also grant Options beyond the 10% limit by seeking Shareholder approval in a general meeting, provided that the Grantee(s) of such Option(s) must be specifically identified before such approval is sought.

Notwithstanding the foregoing, our Company must not grant any Options if the number of Shares, which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and other schemes, exceeds 30% of the Shares in issue from time to time.

### Maximum entitlement of each participant

No Participant shall be granted Options if exercised in full would result in the total number of Shares already issued under all the Options granted to him which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of Shares in issue, provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, our Company may make further grant of Options to such Participant (the "Further Grant") notwithstanding that the Further Grant would result in the total number of Shares already issued under all the Options granted to such Participant which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of Shares in issue.

### Time of Exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by the Board absolutely, provided that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme. The Board may, at its discretion, determine the minimum period for which the Option has to be held before the Option can be exercised.

### The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid

The offer of a grant of share options may be accepted within 21 days from the date of the offer upon payment of a consideration of HK\$1 by the grantee.

# DIRECTORS' REPORT

## SHARE OPTION SCHEME (Continued)

### Price of Shares

The subscription price in respect of Share under any particular Option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the Option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the grant of the Option; and (iii) the nominal value of a Share.

For the purpose of determining the relevant subscription price where the Shares have been listed on the Stock Exchange for less than five trading days preceding the date of the grant of the Option, the issue price of the Shares shall be deemed to be the closing price of the Shares for any trading day falling within the five trading days period after the Listing Date (i.e., 30 June 2017).

### The remaining life of the scheme

The Share Option Scheme will expire on 4 June 2027.

## SIGNIFICANT CONTRACT BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDER

Save and except those disclosed under the section headed "Continuing Connected Transaction", the Group does not have any contract of significance with the controlling shareholder or any of its subsidiaries.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the controlling Shareholders and their respective close associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the Year and up to the date of this report.

## ENVIRONMENTAL POLICIES AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Please refer to Section "Environmental, Social and Governance Reporting" below for details. No material impact of the relevant laws and regulations in relation to environment is identified on business operations.

## DIRECTORS' REPORT

### COMPLIANCE OF THE DEED OF NON-COMPETITION BY THE CONTROLLING SHAREHOLDERS

During the Year, (i) the Company had not received any information in writing from any of the then Controlling Shareholders (as defined in the GEM Listing Rule) in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to the knowledge of the then Controlling Shareholders or their associates (other than any member of the Group; and (ii) each of the then Controlling Shareholders had made an annual declaration in favour of the Company that it/he/she had fully complied with its/his/her obligations under the Deed of Non-competition. In view of the above, no review was required to be performed by and no decision was required to be made by the independent non-executive Directors on whether or not to exercise the right of first refusal under the Deed of Non-competition.

### CONTINUING CONNECTED TRANSACTIONS

The Company has entered into (1) a master supply agreement with Winning Tower (Macau) Limited ; (2) a master agreement with Yau Heng Frozen Meat & Food Company Limited; (3) a master agreement with Winning Star Foods Limited ; (4) a master agreement with Guangzhou City Ge Yun Trading ; and (5) a master transportation service agreement with Maxford Logistics Limited, all of which constitute continuing connected transactions subject to the requirements of reporting, annual review and announcement under Chapter 20 of the GEM Listing Rules.

<b>Contract Name</b>	<b>Transaction amount for the year ended 31 December 2017 recorded in the books and records HK\$'000</b>	<b>Maximum annual caps for the year ended 31 December 2017 as disclosed in the Prospectus HK\$'000</b>
<b>Related Party Agreements (as defined by the Prospectus)</b>		
1. Master Supply Agreement for Winning Futures Limited (formerly known as Winning Tower (Macau)) and Yau Heng	9,269	9,300
2. Master Supply Agreement for Winning Star	2,415	3,600
3. Master Purchase Agreement of Guangzhou Ge Yun	3,908	5,000
4. Master Transportation Service Agreement for the Group	3,263	3,300

# DIRECTORS' REPORT

## CONTINUING CONNECTED TRANSACTIONS (Continued)

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirm the transactions have been entered into:

- (1) in the ordinary and usual course of business of the listed issuer's group;
- (2) on normal commercial terms or better; and
- (3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Moreover, the Company's auditor has provided an unqualified letter to the Board containing their findings and conclusions in respect of the continuing connected transactions taken place during the year ended 31 December 2017 in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

## CONVERTIBLE SECURITIES, OPTIONS, WARRANTS

Please refer to section headed "Equity-Linked Agreement" on page 14 for details. The Company has not issue for cash of equity securities made otherwise than to the Company's shareholders in proportion to their shareholdings and which has not been specifically authorized by the Company's shareholders.

## MAJOR SUPPLIERS AND CUSTOMERS

The Group highly values the relationships with customers and suppliers as they are the foundation of the Group's success.

### Customers

The Group provides direct services/goods to customers and conduct surveys to interact with them to gain market insights and feedback.

The Group allows a credit period from one to two months (2016: one to two months) to its customers. The Group also continuously evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit terms are extended to customers based on the evaluation of individual customer's financial conditions. No significant recoverability problem is identified subsequent to the reporting period.

### Suppliers

The Group has either long established suppliers or suppliers from well-known enterprises to ensure that they are able to deliver the goods/services as requested. Furthermore, the Company has formulated anti-bribery policies for all staff to comply.

# DIRECTORS' REPORT

## MAJOR SUPPLIERS AND CUSTOMERS (Continued)

### Suppliers (Continued)

During the year ended 31 December 2017, sales to the Group's five largest customers accounted for approximately 78.1% of the total sales for the year and sales to the largest customer included therein amounted to approximately 33.9%. Purchases from the Group's five largest suppliers accounted for approximately 47.3% of the total purchases for the year and purchase from the largest supplier included therein amounted to approximately 13.1%.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section "Future Plans and Use of Proceeds" of the Prospectus and in the section "Business Review and Prospect of this report, as at 31 December 2017, the Group does not have other plans for material investments and capital assets.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements in this report.

## CHARITABLE DONATION

The Group did not make any donations (2016: nil) during the year ended 31 December 2017.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained sufficient public float during the year and up to the date of this report as required under the GEM Listing Rules.

## QUALIFICATION AND INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Kingsway Capital Limited ("Kingsway") to be the compliance adviser. Kingsway, being the sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules.

As confirmed by Kingsway, none of the 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.



# DIRECTORS' REPORT

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraphs headed "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations" above, and "Share Option Scheme" below, at no time during the Year from the Listing Date to 31 December 2017 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors has been in force for the Year and as at the date of this report. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

## CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 25 to 33 of the annual report.

## EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2017 and up to the date of this report.

## AUDITOR

The financial statements for the year ended 31 December 2017 were audited by Ernst & Young Certified Public Accountants, who was appointed by the Directors as the first auditor of the Company will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Ernst & Young Certified Public Accountants as auditor of the Company.

By order of the Board  
**Winning Tower Group Holdings Limited**

**Lai King Wah**  
*Chairman and Executive Director*  
Hong Kong

22 March 2018

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules.

The Board recognizes the value and importance of achieving high corporate governance standards and is committed to upholding good corporate standards and procedures for the best interest of the Company’s shareholders. The Company was listed on 30 June 2017. To the best knowledge of the Directors, the Company had complied with the code provisions in the CG Code throughout the period from 30 June 2017 to 31 December 2017.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. To ensure a balance of power and authority, the Company fully supports the division of responsibility between the chairman and the chief executive officer. The roles of the chairman and the chief executive officer are segregated and performed by Mr. Lai King Wah and Mr. Lai Ho Yin Eldon respectively.

## COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period from the day of listing to 31 December 2017.

## APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

By virtue of article 84(1) of the articles of association of the Company, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointment for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

By virtue of article 83(3) of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members 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 annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Lai King Wah, Mr. Lai Ho Yin Eldon, Mr. Ho Timothy Kin Wah, Mr. Yu Ting Hei, Ms. Ho Lai Sze Jacqueline, Mr. Chau Chun Wai, Mr. Lo Sun Tong and Mr. Lam Lai Kiu Kelvin shall hold office until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at such meeting.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

The Board comprised three executive Directors, three non-executive Directors and three independent non-executive Directors as at the date of this report, details of which are set out below:

### Executive Directors

Mr. Lai King Wah<sup>1</sup> (*Chairman of the Board*)

Mr. Lai Ho Yin Eldon<sup>1</sup> (*Chief Executive Officer*)

Mr. Ho Timothy Kin Wah<sup>1</sup>

### Non-executive Directors

Mr. Yu Ting Hei<sup>1</sup>

Mr. Chow Kuen Chung<sup>1</sup>

Ms. Ho Lai Sze Jacqueline<sup>1</sup>

### Independent non-executive Directors

Mr. Chau Chun Wai<sup>2</sup>

Mr. Lo Sun Tong<sup>2</sup>

Mr. Lam Lai Kiu Kelvin<sup>2</sup>

Notes:

1. appointed on 3 January 2017.
2. appointed on 5 June 2017.

The brief biographical details of the Directors are set out in the section headed “Biographies of Directors” on pages 9 to 12 of this report.

Save as disclosed in this report, the other Board members have no financial, business, family or other material or relevant relationships with each other.

For terms of appointment of non-executive directors, please refer to page 15 of this Report.

# CORPORATE GOVERNANCE REPORT

## FUNCTIONS OF THE BOARD

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to Executive Directors and senior management of every business segment, while reserving certain key matters for its approval.

Decisions of the Board are communicated to the management through Executive Directors who have attended Board meetings.

The Company had arranged for appropriate liability insurance for the directors and officers of the Group for indemnifying their liabilities arising from corporate activities.

During the year, all Directors have been provided, on a monthly basis, with the Group's management information updates to give them aware of the Group's affairs and facilitates them to discharge their duties under the relevant requirements of the Listing Rules.

## 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 auditor of the Company about their responsibilities for the financial statements is set out in the independent auditor's report contained in this annual report. The Directors have adopted 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.

## DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

# CORPORATE GOVERNANCE REPORT

## BOARD MEETING 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 give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors with 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 to have 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 on the final version of which are endorsed in the subsequent Board meeting.

During the period from 30 June 2017 (day of listing) to 31 December 2017, there were two Board meetings but none general meetings were held. Details of the attendance of each director are as follows:

Directors	Board meeting	General meeting
Mr. Lai King Wah	2/2	N/A
Mr. Lai Ho Yin Eldon	2/2	N/A
Mr. Ho Timothy Kin Wah	2/2	N/A
Mr. Yu Ting Hei	2/2	N/A
Mr. Chow Kuen Chung	2/2	N/A
Ms. Ho Lai Sze Jacqueline	2/2	N/A
Mr. Chau Chun Wai	1/2	N/A
Mr. Lo Sun Tong	2/2	N/A
Mr. Lam Lai Kiu Kelvin	2/2	N/A

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to materials and has unrestricted access to the advice and the Company Secretary, and has the right to seek external professional advice if so required.

## BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with written terms of reference which are available for viewing on the website of the Company to assist them in efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

The Company has established an audit committee on 5 June 2017 with written terms of reference in compliance with the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Lo Sun Tong (chairperson), Mr. Chau Chun Wai and Mr. Lam Lai Kiu Kelvin.

The primary duties of the audit committee are (but without limitation) to assist the Board in providing an independent view of the effectiveness of our Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The audit committee has reviewed this annual report and was in the opinion that such report has complied with the applicable accounting standards and adequate disclosures have been made.

During the period from 30 June 2017 (day of listing) to 31 December 2017, there were two Audit Committee meetings were held. Details of the attendance record of the committee meetings are as follows:

<b>Committee members</b>	<b>Attended/Held</b>
Mr. Lo Sun Tong	2/2
Mr. Chau Chun Wai	1/2
Mr. Lam Lai Kiu Kelvin	2/2

## AUDITOR'S REMUNERATION

The fees in relation to the audit service provided by Ernst & Young Certified Public Accountants, the external auditor of the Company, for the year ended 31 December 2017 amounted to HK\$990,000, and those in relation to non-audit services was HK\$260,000.

## REMUNERATION COMMITTEE

The Company established a remuneration committee on 5 June 2017 with written terms of reference in compliance with code provision B.1 of the CG Code. The remuneration committee consists of three Directors, namely Mr. Chau Chun Wai (chairperson), Mr. Lo Sun Tong and Mr. Lai King Wah.

The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of the Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

A total of two Remuneration Committee meetings were held from 30 June 2017 (day of listing) to 31 December 2017 with all members of the committee present.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

Each of the Directors will receive a fee which is subject to an annual adjustment at a rate to be reviewed by the remuneration committee and be determined at the discretion of the Board. The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to the Group. The Group has adopted incentive bonus schemes and continues to maintain these schemes, seeking to align the financial well-being of the Group with that of the employees, and to retain the Directors and staff of high caliber.

## NOMINATION COMMITTEE

The Company has established a nomination committee on 5 June 2017 with written terms of reference in compliance with the GEM Listing Rules. The nomination committee consists of three Directors, namely Mr. Lai King Wah (chairperson), Mr. Chau Chun Wai and Mr. Lo Sun Tong.

The primary function of the nomination committee includes making recommendations to the Board to fill vacancies on the same, assessing the independence of independent non-executive Directors and reviewing of the structure, size and composition of the Board.

No Nomination Committee meeting was held from the period from 30 June 2017 (day of listing) to 31 December 2017.

## 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 education 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.

## PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

In compliance with the code provision A.6.5 of the Code, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors had provided the relevant record to the Company during the Year. The Company is committed in arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of the shareholders and the Group's assets. The internal control system includes safeguard of the interest of shareholders and the Group's assets. The Board has delegated to management for the implementation of all relevant financial, operational, compliance controls and risk management function within a defined framework. During the year ended 31 December 2017, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

## INTERNAL AUDIT

The Group has an Internal Audit ("IA") function, which is comprised of professional staff with relevant expertise (such as certified public accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness. An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee afterwards. This could ensure the internal control system is effective.

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its reviews and the reviews made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, 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. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

## COMPANY SECRETARY

The Board had appointed Mr. Tsang Hing Bun ("Mr. Tsang") as the company secretary (the "Company Secretary") and an authorized representative of the Company on 5 June 2017. During the year ended 31 December 2017, the Company Secretary has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.



# CORPORATE GOVERNANCE REPORT

## THE SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING ("EGM")

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office in Cayman Islands and its principal place of business in Hong Kong, for the attention of the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If the Directors do not within 21 days from the date of the deposit of such requisition proceed duly to convene a special general meeting, the requisitionists themselves or any of them representing more than one half of the total voting rights of all of them may convene the special general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene such a meeting shall be reimbursed to them by the Company.

The written requisition must state the purposes of the general meeting, signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

If the requisition is in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered Members. On the contrary, if the requisition is invalid, the Shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested.

The notice period to be given to all the registered Members for consideration of the proposal raised by the shareholders concerned at EGM varies according to the nature of the proposal, as follows:

- at least twenty-one clear days' and not less than ten clear business days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than a mere clerical amendment to correct a patent error; and
- at least fourteen clear days' and not less than ten clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

### Procedures for putting forward proposals at a general meeting

All questions submitted to a meeting shall be decided by a simple majority of votes except where a greater majority is required by the Bye-Laws or by the statutes of Bermuda. In the event of an equality of votes whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to a second or casting vote.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

Shareholders are one of our key stakeholders. The Board and senior management recognise their responsibilities to represent the interests and create long-term sustainable value for the shareholders.

The Company communicates to its shareholders through announcements and annual and interim reports published in its website <http://www.wtgl.hk>. Shareholders may put enquiries to the Board in writing sent to the principal office of the Company at Unit 803, 8/F Riley House 88 Lei Muk Road Kwai Chung. The Directors, the Company Secretary or other appropriate members of senior management respond to enquiries from shareholders promptly. All shareholders are also encouraged to attend general meetings of the Company to discuss matters relating to the Group. At general meetings of the Company, the Directors answer questions from the shareholders.

Investor relations has always formed an important part of the Company's corporate governance. It provides two-way communication between management and the investment community and continually updates investors on the Company's latest business developments in a timely manner. The designated team also regularly provides management with market feedback and opinions from the investment community to improve the governance and operations of the Company.

## SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the period from 30 June 2017 (the day of listing) to 31 December 2017.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SCOPE

This is the first Environmental, Social and Governance (ESG) Report issued by Winning Tower Group Holdings Limited, together with its subsidiaries, hereafter the “Group”, reporting on its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 20 of the Listing Rules and Guidance set out by the Stock Exchange of Hong Kong Limited.

This ESG report covers the Group’s overall performance in two subject areas, namely, Environmental and Social of the business operations (primarily supplying processed raw and cooked food products) in Hong Kong from 1 January 2017 to 31 December 2017, unless otherwise stated.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group and key stakeholders have been involved in regular discussions and reviews on various areas of concern and identified aspects that we need to pay attention to for potential future business development and be prepared for such challenges.

## STAKEHOLDERS’ FEEDBACK

The Group values stakeholders’ suggestions and feedback with respect to our environmental, social and governance approach and performance. In order to efficiently share and obtain such suggestions, we collect such information via emails and interested stakeholders can contact us via email at [info@winningtower.hk](mailto:info@winningtower.hk).

## THE GROUP’S COMMITMENT ON ESG

During our reporting period, our core businesses include wholesale and retail food trading, as well as processing raw and cooked food products. The Group mainly supplies processed raw and cooked food products to catering customers in Hong Kong. Our customers can save on costs by reducing their kitchen staff and kitchen area. In the production area, the products of our Group need to be store in refrigerated or freezer conditions. Our Group selects refrigerated equipment with high efficiency and reliability so as to ensure food safety. Our production plants are HACCP designed so as to ensure our food processing activities follow strict food safety policies. When choosing trucks to purchase for our logistics operations, the Group takes into consideration fuel efficiency and reliability so that fuel consumption and pollution emission can be reduced. As a listed company, members of the Board of Directors commit to achieving profit targets, making efficient use of resources, leading the Group’s development with social responsibility and creating a better future for our society.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## THE GROUP'S COMMITMENT ON ESG (Continued)

### A. Environmental

#### A1. Emissions

The Group's core businesses include wholesale and retail food trading and processing raw and cooked food products. In the course of our operations, we produce emissions mainly from the use of water, electricity and fuel consumption of our logistics trucks. The Group regularly monitors our business operations and scrutinizes our consumption data such that we can minimize environmental pollution and impacts to the environment. Each of our workshops and offices comply with applicable laws and regulations. The Group will systematically retire trucks which have become relatively not environmentally friendly. When selecting a new truck, we would consider fuel efficiency and its environmental impact in order to reduce pollutants as well as greenhouse gas emissions.

##### A1.1 The types of emissions and respective emissions data

During the reporting period, our truck fleet's annual consumption of fuel was 48,996L.

Emissions Data from Gaseous Fuel Consumption

Gaseous	(KG)
NOx	671.96
SOx	0.79
PM	16.23

##### A1.2 Greenhouse gas emissions in total (in tonnes)

GHG emissions from mobile combustion sources (road transport).

Gaseous	(Tonnes)
CO2 Emission	128.07
CH4 Emission	0.01
N2O Emission	0.00

Energy indirect emissions (main sources are purchased electricity)

The Group's annual electricity consumption is 1,357,680 kWh.

Gaseous	(Tonnes)
NOx	1.76
SO2	2.85
PM	0.14
CO2	855.34

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## THE GROUP'S COMMITMENT ON ESG (Continued)

### A. Environmental (Continued)

#### A1. Emissions (Continued)

##### A1.2 Greenhouse gas emissions in total (in tonnes) (Continued)

The Group's annual fresh water consumption is 22,798 cubic metres and sewage is 22,798 cubic metres.

Gaseous	Fresh water processing (Tonnes)	Sewage processing (Tonnes)
CO2	15.96	15.96

The Group educates its employees to work with an environmental conscience in our daily operations and encourages employees to use video or telephone conferencing to communicate with other parties in order to minimize traveling.

##### A1.3 Total hazardous waste produced

The Group does not produce hazardous waste.

##### A1.4 Total non-hazardous waste produced.

The Group produces non-hazardous waste including waste paper and commercial waste which are centrally collected by the property management company.

##### A1.5 Measures to mitigate emissions and results achieved.

The Group reduces the use of office lighting and air-conditioning during lunch hours. Employees use double-sided or recycled paper for printing and waste papers are managed.

The Group reduces the use of workshop lighting during lunch hours and switches off air-conditioning during that period.

The Group regularly reminds logistics staff to observe Chapter 611 of the Laws of Hong Kong 《Motor Vehicle Idling (Fixed Penalty) Ordinance》 by switching off idling engines of the trucks so as to reduce harmful effects to the environment.

##### A1.6 Handling of hazardous and non-hazardous wastes, reduction initiatives and results achieved.

The Group does not produce hazardous waste. The non-hazardous waste produced by the Group are centrally collected and discharged by the management company of the building. If the waste is recyclable, the management company will arrange recycler(s) to recycle them.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## THE GROUP'S COMMITMENT ON ESG (Continued)

### A. Environmental (Continued)

#### A2. Use of Resources

The Group uses energy saving lighting equipment such as energy saving light bulbs and LED lighting systems. Furthermore, our lighting and air conditioning systems are divided into different zones thereby allowing us to turn off lighting and air conditioning in certain areas where they are not in use so as to reduce consumption. The Group has a resource usage guideline in place and employees are reminded to switch off all the air conditioners, lights and other equipment before they leave the office. When purchasing electrical appliances, the Group will preferably purchase products with Grade 1 energy label under the Mandatory Energy Efficiency Labelling Scheme by the Electrical and Mechanical Services Department of Hong Kong. The Group uses reusable trays whenever possible. Waste paper and cartons that are no longer needed for our operations are centrally collected and recycled by the management company of the building where the Group is located. The Group also regularly reminds employees to use double-sided print and use recycled paper and that they should only print hardcopies of documents when necessary. Used printer cartridges are returned to vendors for recycling.

#### A3. The Environment and Natural Resources

The Group cares about the environment and will endeavour to operate in an energy-saving manner taking necessary steps to reduce potential negative environmental impacts. The Group will remind employees to adhere to this.

### B. Social

#### Employment and Labour Practices

##### (i) Employment

The Group complies with applicable laws in Hong Kong and explains to employees details of the terms and conditions in their employment contracts, such as compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, to ensure that they fully understand the content of their employment contract. The Group carries out annual performance appraisals where supervisors evaluate the employee's performance and advise on where there can be improvements. With reference to the Group's job vacancies, the Group's policy is to give priority to internal promotions of current employees who are eligible. The Group advocates equal opportunity and observes anti-discrimination ordinances. We ensure that employees are not discriminated against for their sex, age, marital status, ethnic background, religion, nationality or disability.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## THE GROUP'S COMMITMENT ON ESG (Continued)

### B. Social (Continued)

#### *Employment and Labour Practices (Continued)*

##### *(ii) Health and Safety*

Being a responsible employer, the Group has a heavy emphasis on operational safety and understands the importance of a safe working environment to all employees. The Group sets forth the Operational Health and Safety Policy and regularly conducts internal training for employees in different roles so as to enhance their sense of operational safety and handling capability. The Group is committed to providing a safe working environment and complies with applicable laws and regulations. We also regularly review our policies and where possible, improve safety measures. The Group also reminds employees to be alert about the health and safety of other employees and themselves. If they notice any unsafe conditions, they should immediately report to their supervisor. Our workshops have obtained food factory licenses from the Food and Environmental Hygiene Department (FEHD). As a prerequisite for the issuance of food factory licences, we have obtained the necessary Fire Services Certificates. Our workshops and offices are equipped with fire extinguishers and fire escape routes that can be clearly located at our workshops and offices. The building's management office organizes fire drills from time to time and employees are required to participate as far as the Group's schedule permits.

##### *(iii) Development and Training*

The Group encourages employees to pursue further education and training to develop themselves personally. The Group's policy is to provide employees necessary training and education in relation to their job scope, for example, the Food Safety Manager training program is necessary for many of our employees so that they can acquire the knowledge and skills required to fulfill the Group's business development expectations. The Group provides internal and external association training opportunities to employees. The Group actively promotes effective corporate governance and offers opportunities for management and directors to receive training and attend conferences organized by professional associations.

##### *(iv) Labour Standards*

The Group has a comprehensive recruitment procedure and strictly prohibits the recruitment of child or forced labour. The Group's management is responsible for implementing and reviewing matters related to recruitment, compensation, training and development and other employees' welfare issues whilst ensuring the Group complies with Employment Ordinance, Chapter 57 of the Laws of Hong Kong and other applicable rules and regulations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## THE GROUP'S COMMITMENT ON ESG (Continued)

### B. Social (Continued)

#### *Operating Practices*

##### *(v) Supply Chain Management*

When selecting quality and stable suppliers, two of the key evaluation criteria the Group uses include environmental and social performance. The Group has a standardized procedure in determining pricing and order flow and establishes solid business relationships with customers and suppliers. The Group selects suppliers by means of a periodic quotation procedure ensuring steady product supply and consistent high quality at a fair and reasonable price. At the same time, the Group would consider any efforts suppliers put into minimizing potential negative impacts towards the environment and society.

##### *(vi) Product Responsibility*

The Group makes every endeavor to ensure our customers receive high quality and satisfactory products. Our production plants are designed with HACCP principles in mind so as to ensure our food processing activities follow strict food safety policies. Management will regularly review the Group's production workflow and product safety policy. The Group values our customers' feedback highly and management contacts customers on a regular basis to ensure customer satisfaction.

##### *(vii) Anti-corruption*

With reference to Chapter 201 Prevention of Bribery Ordinance of the Laws of Hong Kong, the Group has set up anti-corruption guidelines and code of conduct. Employees are not allowed to receive any benefits and gifts from suppliers or customers. The Group reminds employees that they must be law-abiding in their course of employment. Employees shall not solicit or accept any advantage without the permission of the Group when conducting the Group's affairs or business. Directors of the Group review the internal policy annually and will strengthen the organizational risk management with regards to corruption, as needed. During the reporting period, there were no legal cases regarding corrupt practices brought against the Group or employees.

#### *Community*

##### *(viii) Community Investment*

During the reporting period, the Group's subsidiaries Jett Foods Asia Limited and Winning Tower Group Limited participated in volunteer services and both companies were awarded the 2017/2018 Caring Company Logo. The management of the Group encourages employees to participate in community and charity services so as to give back to society.



# INDEPENDENT AUDITOR'S REPORT



## To the shareholders of Winning Tower Group Holdings Limited

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

### OPINION

We have audited the consolidated financial statements of Winning Tower Group Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 45 to 107, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<b>Fair value measurement of leasehold land and buildings</b>	
<p>As at 31 December 2017, the Group had leasehold land and buildings of HK\$108,520,000 (collectively “<b>Properties</b>”) which are measured at fair value. The measurement of fair value of the Properties requires management’s significant judgements and estimates. Management appointed professional valuers to assess the valuation of the Properties and determined the fair value with reference to the valuation carried by the external valuers.</p> <p>The accounting judgements and estimates and disclosures are included in note 3 “Significant accounting estimates” and note 14 “Property, plant and equipment” to the financial statements.</p>	<p>We reviewed the competency, capability and objectivity of the valuers appointed by the management. We compared the property-related data used as inputs for the valuation with underlying documentation. We also involved our internal valuation specialists to assist us in reviewing the valuation methodologies applied and key valuation parameters adopted in the valuation.</p>

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

# INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Kam Yee.

### **Ernst & Young**

*Certified Public Accountants*

22/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

22 March 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
REVENUE	5	132,934	133,578
Cost of inventories consumed		(89,019)	(88,175)
Other income	6	1,461	1,624
Employee benefit expenses		(19,693)	(17,903)
Depreciation		(4,882)	(4,667)
Transportation and storage fee		(3,368)	(3,297)
Utilities and consumables		(2,718)	(3,000)
Rental and related expenses		(1,291)	(1,223)
Listing expenses		(11,590)	(4,502)
Other operating expenses		(7,371)	(4,635)
PROFIT/(LOSS) BEFORE TAX FROM OPERATIONS		(5,537)	7,800
Finance costs	7	(796)	(1,112)
PROFIT/(LOSS) BEFORE TAX	8	(6,333)	6,688
Income tax expense	11	(1,490)	(1,985)
PROFIT/(LOSS) FOR THE YEAR		(7,823)	4,703
Attributable to:			
Owners of the Company		(7,534)	4,633
Non-controlling interests		(289)	70
		(7,823)	4,703
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
— Basic and diluted (expressed in HK cents per share)	13	(0.60)	0.41

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
PROFIT/(LOSS) FOR THE YEAR		(7,823)	4,703
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods:			
Revaluation surplus	14	14,114	150
Deferred tax debited to asset revaluation reserve	24	(2,329)	(24)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		11,785	126
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,962	4,829
Attributable to:			
Owners of the Company		4,251	4,759
Non-controlling interests		(289)	70
		3,962	4,829

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	115,785	75,190
Goodwill	15	2,302	2,302
Prepayments	18	2,394	–
Due from a related party	19	–	100
<b>Total non-current assets</b>		<b>120,481</b>	<b>77,592</b>
<b>CURRENT ASSETS</b>			
Inventories	16	4,141	3,743
Trade receivables	17	18,264	17,920
Prepayments, deposits and other receivables	18	2,396	2,482
Due from related parties	19	192	207
Tax recoverable		617	23
Cash and cash equivalents	20	24,620	11,329
<b>Total current assets</b>		<b>50,230</b>	<b>35,704</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	21	6,732	5,793
Other payables and accruals	22	3,714	2,741
Due to related parties	19	168	213
Interest-bearing bank borrowings	23	1,863	28,294
Tax payable		116	184
<b>Total current liabilities</b>		<b>12,593</b>	<b>37,225</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>37,637</b>	<b>(1,521)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>158,118</b>	<b>76,071</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	23	22,393	–
Deferred tax liabilities	24	8,772	6,708
<b>Total non-current liabilities</b>		<b>31,165</b>	<b>6,708</b>
<b>Net assets</b>		<b>126,953</b>	<b>69,363</b>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	25	14,000	32,230
Reserves	26	108,997	32,888
		122,997	65,118
Non-controlling interests		3,956	4,245
Total equity		126,953	69,363

**Lai King Wah**  
*Director*

**Chow Kuen Chung**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

Notes	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (note 26)	Capital reserve HK\$'000 (note 26)	Asset revaluation reserve HK\$'000 (note 26)	Retained profits/ (accumulated loss) HK\$'000	Total HK\$'000		
At 1 January 2016	32,230	-	-	-	32,139	5,990	70,359	4,175	74,534
Profit for the year	-	-	-	-	-	4,633	4,633	70	4,703
Other comprehensive income/ (expense) for the year:									
Revaluation surplus	14	-	-	-	150	-	150	-	150
Deferred tax debited to asset revaluation reserve	24	-	-	-	(24)	-	(24)	-	(24)
Total comprehensive income for the year		-	-	-	126	4,633	4,759	70	4,829
Dividend declared	12	-	-	-	-	(10,000)	(10,000)	-	(10,000)
At 31 December 2016 and 1 January 2017	32,230	-	-	-	32,265*	623	65,118	4,245	69,363
Loss for the year	-	-	-	-	-	(7,534)	(7,534)	(289)	(7,823)
Other comprehensive income/ (expense) for the year:									
Revaluation surplus	14	-	-	-	14,114	-	14,114	-	14,114
Deferred tax debited to asset revaluation reserve	24	-	-	-	(2,329)	-	(2,329)	-	(2,329)
Total comprehensive income/ (expense) for the year		-	-	-	11,785	(7,534)	4,251	(289)	3,962
Issuance of shares and effects of group reorganisation	25(b)	(32,230)	68,963	(36,733)	-	-	-	-	-
Issue of new shares upon capitalisation issue	25(d)	11,200	(11,200)	-	-	-	-	-	-
Issue of new shares in connection with the share offer	25(e)	2,800	53,200	-	-	-	56,000	-	56,000
Share issue expenses		-	(7,472)	-	-	-	(7,472)	-	(7,472)
Contributions from shareholders		-	-	-	5,100	-	5,100	-	5,100
At 31 December 2017		14,000	103,491*	(36,733)*	5,100*	44,050*	122,997	3,956	126,953

\* These reserve accounts comprise the consolidated reserves of HK\$108,997,000 (31 December 2016: HK\$32,888,000) in the consolidated statement of financial position as at 31 December 2017.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		(6,333)	6,688
Adjustments for:			
Bank interest income	6	(82)	(31)
Finance costs	7	796	1,112
Depreciation	8	4,882	4,667
Write-off of items of property, plant and equipment	8	32	23
Loss on disposal of items of property, plant and equipment	8	-	100
		(705)	12,559
Decrease/(increase) in inventories		(398)	99
Decrease/(increase) in trade receivables		(344)	1,365
Increase in prepayments, deposits and other receivables		(2,308)	(159)
Decrease in amounts due from related parties		115	487
Increase/(decrease) in trade payables		939	(335)
Increase in other payables and accruals		973	31
Decrease in amounts due to related parties		(45)	(133)
Cash generated from/(used in) operations		(1,773)	13,914
Hong Kong profits tax paid		(2,417)	(3,839)
Net cash flows from/(used in) operating activities		(4,190)	10,075
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		82	31
Purchases of items of property, plant and equipment	14	(31,395)	(334)
Proceeds from disposal of items of property, plant and equipment		-	100
Net cash flows used in investing activities		(31,313)	(203)

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	25(e)	56,000	–
Payment of share issue expenses		(7,472)	–
Contributions from shareholders		5,100	–
New bank loans		12,212	–
Repayment of bank loans		(16,250)	(2,776)
Dividend paid	12, 35	–	(1,200)
Interest paid		(796)	(1,108)
Interest element of finance lease rental payments		–	(4)
Capital element of finance lease rental payments		–	(250)
<b>Net cash flows from/(used in) financing activities</b>		<b>48,794</b>	<b>(5,338)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		11,329	6,795
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>24,620</b>	<b>11,329</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	20	11,620	6,323
Non-pledged time deposits with original maturity of less than three months when acquired	20	13,000	5,006
<b>Cash and cash equivalents as stated in the consolidated statements of cash flows</b>		<b>24,620</b>	<b>11,329</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 1. CORPORATE INFORMATION AND REORGANISATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Flat 3, 8/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

Pursuant to the group reorganisation completed on 10 February 2017 (the "**Reorganisation**") to rationalise the structure of the Group in preparation for the listing of the ordinary shares with a nominal value of HK\$0.01 each in the share capital of the Company on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the direct/indirect holding company of the subsidiaries now comprising the Group on 10 February 2017. Details of the Reorganisation were set out in the section headed "History, Reorganisation and Group Structure" in the prospectus dated 19 June 2017 (the "**Prospectus**") issued by the Company. The shares of the Company were listed on the GEM by way of share offer (the "**Listing**") on 30 June 2017.

As the Reorganisation only involved inserting new holding entities at the top of an existing company and has not resulted in any change of economic substances, the consolidated financial statements have been presented as a continuation of the existing company using the pooling of interest method. Accordingly, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the entire periods presented. The consolidated statements of financial position as at 31 December 2016 and 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at the respective dates.

The Company has not carried on any business since the date of its incorporation, save for the transaction relating to the Reorganisation, and is an investment holding company. The Group is principally engaged in the processing and trading of raw, frozen and cooked food products and provision of transportation services. In the opinion of the directors, the ultimate holding company of the Company was Keyview Ventures Limited ("**Keyview Ventures**"), a company incorporated in the British Virgin Islands with limited liability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 1. CORPORATE INFORMATION AND REORGANISATION (Continued)

### Information about subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2017 are as follows:

Name	Place of incorporation and place of business	Issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bliss View Limited ("Bliss View")	British Virgin Islands	US\$1	100%	–	Investment holding
Winning Tower Group Limited ("Winning Tower Group")	Hong Kong	HK\$32,230,000	–	100%	Investment holding
Winning Tower Limited	Hong Kong	HK\$18,000,000	–	100%	Processing and trading of raw and frozen food products
Winning Star Foods Limited ("Winning Star")	Hong Kong	HK\$8,000,000	–	60%	Processing and trading of cooked food products
Jett Foods Asia Limited	Hong Kong	HK\$5,000,000	–	100%	Internet sales and trading of food products
Maxford Logistics Limited	Hong Kong	HK\$10,000	–	60%	Provision of transportation services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings held for the Group’s own use classified as property, plant and equipment, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.1 BASIS OF PREPARATION (Continued)

### Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12	<i>Disclosure of Interests in Other Entities: Clarification of the</i>
included in <i>Annual Improvements to</i>	<i>Scope of HKFRS 12</i>
<i>HKFRSs 2014-2016 Cycle</i>	

As explained below, the adoption of the above revised standards has had no significant financial effect on these financial statements.

The nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 35(b) to the financial statements.
- (b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.
- (c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group did not have subsidiaries classified as a disposal group held for sale as at 31 December 2017.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, for the accounting year ended 31 December 2017 in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions<sup>1</sup></i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts<sup>1</sup></i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation<sup>2</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers<sup>1</sup></i>
HKFRS 9	<i>Financial Instruments<sup>1</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>1</sup></i>
HKFRS 16	<i>Leases<sup>2</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures<sup>2</sup></i>
Amendments to HKAS 40	<i>Transfers of Investment Property<sup>1</sup></i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration<sup>1</sup></i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments<sup>2</sup></i>
<i>Annual Improvements 2014–2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28<sup>1</sup></i>
<i>Annual Improvements 2015–2017 Cycle</i>	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but available for adoption

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have a significant impact upon adoption. Whilst management has performed an assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

### (a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets.

### (b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and other receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has expected that the provision for impairment will increase upon the initial adoption of the standard.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. During 2017, the Group has performed an assessment on the impact of the adoption of HKFRS 15.

The Group principal activities consisted of the processing and trading of raw, frozen and cooked food products and provision of transportation services. The Group does not expect the adoption of HKFRS 15 will have a significant impact on the Group's financial performance and financial position.

However, the presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and may significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of most of these disclosure requirements will not be significant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Business combinations and goodwill

Business combinations other than those under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value, which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or a liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### Fair value measurement

The Group measures its land and buildings at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the shorter of lease terms or useful lives
Leasehold improvements	14% to 25%
Furniture and fixtures	14% to 25%
Machinery and equipment	14% to 25%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

### Investments and other financial assets

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

#### *Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax (Continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, when the relevant services have been rendered;
- (c) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (d) dividend income, when the shareholders' right to receive payment has been established.

### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**Equity-Settled Transactions**").

The cost of Equity-Settled Transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

The cost of Equity-Settled Transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for Equity-Settled Transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payments (Continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### Employee benefits

#### *Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of these employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

### Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 12 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Estimation uncertainty

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### *Measurement of fair value of leasehold land and buildings*

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) reference to independent valuation;
- (b) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and
- (c) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices.

Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

#### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 15 to the financial statements.

#### *Impairment of non-financial assets (other than goodwill)*

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (a) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (b) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (c) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projection could materially affect the net present value used in the impairment test.

#### *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions. Management reassesses these estimates at each reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

## 4. SEGMENT INFORMATION

The Group is principally engaged in processing and trading of raw, frozen and cooked food products and provision of transportation services. For management purpose, the Group operates in one business unit based on its products and the nature of production, sales and distribution processes, and has one reportable operating segment which is processing and trading of food products.

Since all of the Group's revenue from external customers are conducted and non-current assets are located in Hong Kong, no further analysis on the geographical information thereof is presented.

### Information about major customers

	2017 HK\$'000	2016 HK\$'000
Customer A #	45,067	44,325
Customer B #	23,615	23,230
Customer C #	23,011	22,910

# Included sales to a group of entities which are known to be under common control with that customer

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 5. REVENUE

Revenue represents the invoiced value of goods sold, after allowances for returns and trade discounts to customers, and income from provision of transportation services.

An analysis of revenue is as follows:

	2017 HK\$'000	2016 HK\$'000
Wholesale of processed raw food	110,366	109,802
Wholesale of processed cooked food	15,871	17,527
Internet sales and trading of food products	3,235	2,823
Income from provision of transportation services	3,462	3,426
	132,934	133,578

## 6. OTHER INCOME

	2017 HK\$'000	2016 HK\$'000
Bank interest income	82	31
Storage and handling income	1,140	1,242
Others	239	351
	1,461	1,624

## 7. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on bank loans and overdraft	796	1,108
Interest on finance leases	-	4
	796	1,112

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 8. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2017 HK\$'000	2016 HK\$'000
Cost of inventories consumed	89,019	88,175
Depreciation	4,882	4,667
Minimum lease payments under operating leases	600	600
Other related expenses	691	623
Rental and related expenses	1,291	1,223
Directors' remuneration (note 9)	4,464	4,108
Employee benefit expenses (excluding directors' remuneration (note 9)):		
Salaries, wages and other benefits	14,601	13,212
Pension scheme contributions	628	583
Total employee benefit expenses	19,693	17,903
Listing expenses	11,590	4,502
Auditor's remuneration	990	460
Write-off of items of property, plant and equipment	32	23
Loss on disposal of items of property, plant and equipment	–	100
Bank interest income	(82)	(31)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 HK\$'000	2016 HK\$'000
Fees	700	609
Other emoluments:		
Salaries, allowances and benefits in kind	3,441	3,326
Performance related bonuses	287	123
Pension scheme contributions	36	50
	3,764	3,499
Total	4,464	4,108

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

Name of director	Salaries, allowances and benefits				Total HK\$'000
	Fees HK\$'000	in kind HK\$'000	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	
<b>Year ended 31 December 2017</b>					
Executive directors					
Mr. Lai King Wah ( <i>Chairman</i> )	–	1,337	120	–	1,457
Mr. Lai Ho Yin Eldon (Chief executive officer)	–	1,354	117	18	1,489
Mr. Ho Timothy Kin Wah	–	550	50	18	618
	–	3,241	287	36	3,564
Non-executive directors					
Mr. Chow Kuen Chung	350	200	–	–	550
Ms. Ho Lai Sze Jacqueline	70	–	–	–	70
Mr. Yu Ting Hei	70	–	–	–	70
	490	200	–	–	690
Independent non-executive directors					
Mr. Chau Chun Wai	70	–	–	–	70
Mr. Lam Lai Kiu Kelvin	70	–	–	–	70
Mr. Lo Sun Tong	70	–	–	–	70
	210	–	–	–	210
	700	3,441	287	36	4,464

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 December 2016</b>					
Executive directors					
Mr. Lai King Wah ( <i>Chairman</i> )	250	1,127	–	13	1,390
Mr. Lai Ho Yin Eldon (Chief executive officer)	–	1,284	123	18	1,425
Mr. Ho Timothy Kin Wah	59	480	–	19	558
	309	2,891	123	50	3,373
Non-executive directors					
Mr. Chow Kuen Chung	250	435	–	–	685
Ms. Ho Lai Sze Jacqueline	–	–	–	–	–
Mr. Yu Ting Hei	50	–	–	–	50
	300	435	–	–	735
	609	3,326	123	50	4,108

Mr. Lai King Wah and Mr. Ho Timothy Kin Wah were appointed as executive directors of the Company on 3 January 2017. Mr. Lai Ho Yin Eldon was appointed as an executive director and the chief executive officer of the Company on 3 January 2017. Mr. Yu Ting Hei and Mr. Chow Kuen Chung were appointed as non-executive directors of the Company on 3 January 2017. Ms. Ho Lai Sze Jacqueline joined the Group and was appointed as a non-executive director of the Company on 3 January 2017. Mr. Chau Chun Wai, Mr. Lam Lai Kiu Kelvin and Mr. Lo Sun Tong were appointed as independent non-executive directors of the Company on 5 June 2017, 5 June 2017 and 5 June 2017, respectively.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2016: three directors), and details of whose remuneration are set out in note 9 above.

Details of the remuneration for the year of the remaining two (2016: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries, allowances and benefits in kind	1,630	1,411
Performance related bonuses	100	104
Pension scheme contributions	36	36
	<b>1,766</b>	<b>1,551</b>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	2017 HK\$'000	2016 HK\$'000
Nil to HK\$1,000,000	2	2

## 11. INCOME TAX

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

	2017 HK\$'000	2016 HK\$'000
Current — Hong Kong		
Charge for the year	1,825	2,421
Overprovision in prior years	(70)	(190)
Deferred (note 24)	(265)	(246)
Total tax charge for the year	<b>1,490</b>	<b>1,985</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 11. INCOME TAX (Continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2017 HK\$'000	2016 HK\$'000
Profit/(loss) before tax	(6,333)	6,688
Tax at the statutory tax rate	(1,045)	1,104
Adjustments in respect of current tax of prior years	(70)	(190)
Income not subject to tax	(13)	(22)
Expenses not deductible for tax	2,373	1,197
Tax losses utilised from prior years	–	(213)
Tax losses not recognised	245	35
Others	–	74
Tax charge at the Group's effective rate	1,490	1,985

## 12. DIVIDEND

No dividend has been paid or declared by the Company during the period from its incorporation date to 31 December 2017.

Dividend of HK\$10,000,000 declared during the year ended 31 December 2016 represented dividend declared by a subsidiary of the Company to its then shareholders. This dividend was settled by way of offsetting its then outstanding loans due to then shareholders of HK\$8,800,000, and with the remaining balance of HK\$1,200,000 being settled by cash.

The rates for dividend and number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this report.

The board of directors does not recommend a payment of a final dividend for the year ended 31 December 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2017 HK\$'000	2016 HK\$'000
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to owners of the Company used in the basic earnings/(loss) per share calculation	(7,534)	4,633
	Number of shares	
	2017 '000	2016 '000
<b>Shares</b>		
Weighted average number of shares in issue during the year used in the basic earnings/(loss) per share calculation	1,261,918	1,120,000
<b>Earnings/(loss) per share</b>		
Basic (HK cents)	(0.60)	0.41

In determining the weighted average number of ordinary shares in issue, a total of 1,120,000,000 ordinary shares of the Company issued pursuant to the Reorganisation were deemed to have been issued since 1 January 2016.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>31 December 2017</b>						
Cost or valuation:						
At 1 January 2017	65,800	12,136	547	4,207	2,796	85,486
Additions	30,506	-	62	51	776	31,395
Write-off	-	-	-	(88)	-	(88)
Surplus on revaluation	14,114	-	-	-	-	14,114
Write-back on revaluation	(1,900)	-	-	-	-	(1,900)
At 31 December 2017	108,520	12,136	609	4,170	3,572	129,007
Accumulated depreciation:						
At 1 January 2017	-	6,669	290	2,624	713	10,296
Charge for the year	1,900	1,642	61	405	874	4,882
Write-off	-	-	-	(56)	-	(56)
Write-back on revaluation	(1,900)	-	-	-	-	(1,900)
At 31 December 2017	-	8,311	351	2,973	1,587	13,222
Net book value:						
At 31 December 2017	108,520	3,825	258	1,197	1,985	115,785
<b>31 December 2016</b>						
Cost or valuation:						
At 1 January 2016	67,467	12,092	463	4,045	3,045	87,112
Additions	-	44	84	206	-	334
Disposal	-	-	-	-	(249)	(249)
Write-off	-	-	-	(44)	-	(44)
Surplus on revaluation	150	-	-	-	-	150
Write-back on revaluation	(1,817)	-	-	-	-	(1,817)
At 31 December 2016	65,800	12,136	547	4,207	2,796	85,486
Accumulated depreciation:						
At 1 January 2016	-	5,030	231	2,239	16	7,516
Charge for the year	1,817	1,639	59	406	746	4,667
Disposal	-	-	-	-	(49)	(49)
Write-off	-	-	-	(21)	-	(21)
Write-back on revaluation	(1,817)	-	-	-	-	(1,817)
At 31 December 2016	-	6,669	290	2,624	713	10,296
Net book value:						
At 31 December 2016	65,800	5,467	257	1,583	2,083	75,190

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

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

At 31 December 2017, the Group's land and buildings in Hong Kong were revalued based on valuation performed by AVISTA Valuation Advisory Limited, independent professionally qualified valuers, at HK\$108,520,000 (2016: HK\$65,800,000). Revaluation surplus of HK\$14,114,000 (2016: HK\$150,000) resulting from the above revaluation was credited to the asset revaluation reserve.

Had such leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$58,497,000 (2016: HK\$29,073,000).

Each year, the Group appoints an external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group discusses with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

There has been no change from the valuation technique used in prior years. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair values of the Group's land and buildings as at 31 December 2017 and 2016 are estimated by using significant unobservable inputs and the fair value measurement is categorised under Level 3.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2017 HK\$'000	2016 HK\$'000
Carrying amount:		
At 1 January	65,800	67,467
Additions	30,506	–
Depreciation	(1,900)	(1,817)
Surplus on revaluation	14,114	150
At 31 December	108,520	65,800

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

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

Below is a summary of the valuation technique used and the key input to the valuation of properties:

Class of properties	Valuation technique	Significant unobservable input	Range of unobservable input	
			2017	2016
Hong Kong — Land and buildings — Industrial — Level 3	Market comparable method	Saleable unit rate per square foot*	HK\$4,255 to HK\$4,286	HK\$3,598 to HK\$3,653

\* The higher the saleable unit rate per square foot, the higher the value.

At 31 December 2017, the Group's leasehold land and buildings held for own use with a net carrying amount of approximately HK\$92,760,000 (2016: HK\$65,800,000) were pledged to secure banking facilities granted to the Group (note 23).

## 15. GOODWILL

Goodwill acquired through business combinations had been allocated to the transportation services cash-generating unit ("Transportation services CGU") at HK\$185,000 and internet sales and trading of food products cash-generating unit ("Internet sales and trading of food products CGU") at HK\$2,117,000.

	Transportation services CGU HK\$'000	Internet sales and trading of food products CGU HK\$'000	Total HK\$'000
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	185	2,117	2,302

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 15. GOODWILL (Continued)

### Impairment testing of goodwill

The recoverable amounts of the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period with growth rates approved by senior management, which is based on the management's expectation for market development.

The discount rates for the following cash-generating units applied to the cash flow projections are as follows:

	2017	2016
Transportation services CGU	12.5%	12.1%
Internet sales and trading of food products CGU	14.6%–15.4%	15%–20.2%

Key assumptions were used in the value in use calculation of the cash-generating units for the years ended 31 December 2017 and 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Budgeted gross margins* — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the markets, adjusted for expected efficiency improvement, and expected market development.

*Discount rates* — The discount rates used are before tax.

The values assigned to key assumptions are consistent with external information sources.

The directors of the Company have considered the impact of the possible changes in key assumptions (budgeted gross margins and discount rates) used, and conducted sensitivity analysis on the cash-generating unit's carrying value for impairment testing during the years ended 31 December 2017 and 2016. In the opinion of the directors of the Company, any reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 16. INVENTORIES

	2017 HK\$'000	2016 HK\$'000
Food products for trading and processing business	4,141	3,743

## 17. TRADE RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables from:		
Third party customers	14,253	12,658
Related companies	4,011	5,262
	<b>18,264</b>	<b>17,920</b>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to two months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

At 31 December 2017, the Group had certain concentrations of credit risk that might arise from the exposure to the Group's total trade receivables as follows.

	2017	2016
Three largest customers	76%	71%
Largest customer	36%	30%

An ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired	17,587	16,053
Less than 1 month past due	676	1,698
1 to 3 months past due	1	169
	<b>18,264</b>	<b>17,920</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 17. TRADE RECEIVABLES (Continued)

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Particulars of the amounts due from related companies included in trade receivables are as follows:

	2017 HK\$'000	2016 HK\$'000
Golden Cup Industries Limited ("Golden Cup")	3,367	4,096
Yau Heng Frozen Meat & Food Company Limited ("Yau Heng")	381	578
Winning Futures Limited ("Winning Futures")	263	588
	4,011	5,262

The details of the above related companies are set out in note 31(a) to the financial statements.

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Prepayments	4,277	2,065
Deposits	513	402
Other receivables	–	15
	4,790	2,482
Less: Non-current portion	(2,394)	–
	2,396	2,482

None of the financial assets included in the above balances is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 19. BALANCES WITH RELATED PARTIES

Particulars of balances with related companies are disclosed as follows:

	2017 HK\$'000	2016 HK\$'000
<b>Due from related companies</b>		
Golden Cup	85	105
Yau Heng	6	19
Winning Futures	1	69
Guangzhou City Ge Yun Trading Company Limited ("Guangzhou Ge Yun")	–	14
lao Ip Property Investment Company Limited ("lao Ip")	100	100
	<b>192</b>	<b>307</b>
Less: Non-current portion	–	(100)
	<b>192</b>	<b>207</b>

  

	2017 HK\$'000	2016 HK\$'000
<b>Due to related companies</b>		
Golden Cup	168	191
Yau Heng	–	8
Winning Futures	–	14
	<b>168</b>	<b>213</b>

The details of the above related companies are set out in note 31(a) to the financial statements.

Balances with related companies are non-trade in nature, unsecured, interest-free and repayable on demand, except for an amount due from lao Ip which is repayable more than twelve months from the end of the reporting period.

## 20. CASH AND CASH EQUIVALENTS

	2017 HK\$'000	2016 HK\$'000
Cash and bank balances	11,620	6,323
Time deposits	13,000	5,006
	<b>24,620</b>	<b>11,329</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 20. CASH AND CASH EQUIVALENTS (Continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 21. TRADE PAYABLES

	2017 HK\$'000	2016 HK\$'000
Trade payables to:		
Third party suppliers	5,507	4,486
Related companies		
— Golden Cup	856	819
— Yau Heng	10	316
— Guangzhou Ge Yu	359	172
	6,732	5,793

An ageing analysis of the trade payables as at the end of the reporting period, based on invoice date, is as follows:

	2017 HK\$'000	2016 HK\$'000
Within 1 month	6,732	5,793

The trade payables are non-interest-bearing and are normally settled on 30 to 60 days terms.

The details of the above related companies are set out in note 31(a) to the financial statements.

## 22. OTHER PAYABLES AND ACCRUALS

	2017 HK\$'000	2016 HK\$'000
Other payables	143	154
Accrued expenses	3,571	2,587
	3,714	2,741

Other payables are non-interest-bearing and have an average term of two months.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 23. INTEREST-BEARING BANK BORROWINGS

	2017			2016		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Bank loans — secured	1.25 to 1.75 below prime rate	2018	1,863	1.25 to 1.75 below prime rate	On demand	28,294
<b>Non-current</b>						
Bank loans — secured	1.25 to 1.75 below prime rate	2019 – 2035	22,393	–	–	–
			24,256			28,294

	2017 HK\$'000	2016 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	1,863	28,294
In the second year	1,907	–
In the third and fifth years, inclusive	5,980	–
Over five years	14,506	–
	24,256	28,294

The Group's bank loans are denominated in Hong Kong Dollars and are secured by the mortgages over the Group's land and buildings, which had an aggregate carrying value of HK\$92,760,000 (2016: HK\$65,800,000) at 31 December 2017.

In addition, Mr. Lai King Wah, a director of the Company and a shareholder of Keyview Ventures, provided personal guarantees for the Group's bank loans and facilities up to HK\$46,080,000 as at 31 December 2016 (note 31(d)). These personal guarantees have been released and replaced by corporate guarantees issued by the Company upon the Listing and as at 31 December 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 23. INTEREST-BEARING BANK BORROWINGS (Continued)

The maturity of bank borrowings in accordance with maturity terms set out in the loan agreements is analysed as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	1,863	2,886
In the second year	1,907	2,997
In the third and fifth years, inclusive	5,980	8,596
Over five years	14,506	13,815
	<b>24,256</b>	<b>28,294</b>

## 24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

	Losses available for offsetting against future taxable profits HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Depreciation allowance in excess of related depreciation HK\$'000	Revaluation of properties HK\$'000	Total HK\$'000
At 1 January 2016	(213)	406	386	6,351	6,930
Deferred tax debited/(credited) to the statement of profit or loss during the year (note 11)	213	(132)	(327)	–	(246)
Deferred tax debited to the equity during the year	–	–	–	24	24
At 31 December 2016 and 1 January 2017	–	274	59	6,375	6,708
Deferred tax credited to the statement of profit or loss during the year (note 11)	(43)	(91)	(131)	–	(265)
Deferred tax debited to the equity during the year	–	–	–	2,329	2,329
At 31 December 2017	(43)	183	(72)	8,704	8,772

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 24. DEFERRED TAX (Continued)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2017 HK\$'000	2016 HK\$'000
Deferred tax liabilities recognised in the consolidated statement of financial position	8,772	6,708

As at 31 December 2017, the Group has tax losses arising in Hong Kong of approximately HK\$2,197,000 (2016: HK\$451,000) that are available indefinitely for offsetting against its future taxable profits. Deferred tax assets in respect of tax losses arising in Hong Kong of approximately HK\$1,938,000 (2016: HK\$451,000) have not been recognised as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 25. SHARE CAPITAL

The share capital balance as at 31 December 2017 in the consolidated statement of financial position represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

	As at 31 December 2017 HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each (note c)	100,000
Issued and fully paid: 1,400,000,000 ordinary shares of HK\$0.01 each	14,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 25. SHARE CAPITAL (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares	Share capital HK\$'000
<b>Issued and fully paid</b>		
Allotted and issued at nil paid on 3 January 2017 (note a)	1	–
Issuance of new shares upon the Reorganisation (note b)	28,429	–
Issuance of new shares upon capitalisation issue (note d)	1,119,971,570	11,200
Issuance of new shares in connection with share offer of the Company (the "Share Offer") (note e)	280,000,000	2,800
At 31 December 2017	<u>1,400,000,000</u>	<u>14,000</u>

Notes:

- (a) Upon incorporation on 3 January 2017, the Company had authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same day, one ordinary share was issued, allotted and credited as fully paid to the Company's initial subscriber, which was subsequently transferred to Keyview Ventures, the ultimate holding company of the Company.
- (b) On 10 February 2017, as part of the Reorganisation, the Company allotted and issued in aggregate 28,429 shares credited as fully paid to Keyview Ventures in consideration of the controlling shareholders of the Group transferring in aggregate 28,429,000 ordinary "A" shares in Winning Tower Group, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary, (representing the entire issued share capital of Winning Tower Group) to Bliss View, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company, at a total consideration of HK\$68,963,000. Differences of HK\$36,733,000 between the nominal amount of shares issued by the Company of HK\$68,963,000 and the share capital of Winning Tower Group of HK\$32,230,000 were debited to merger reserve.
- (c) On 5 June 2017, Keyview Ventures resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 ordinary shares, each carrying the same rights as the ordinary shares then in issue in all respects.
- (d) In connection with the Reorganisation and pursuant to a resolution passed in a meeting of the directors of the Company on 5 June 2017, the issue of 1,119,971,570 ordinary shares has been made upon capitalisation of part of the amount standing to the credit of the share premium of HK\$11,200,000.
- (e) In connection with the Share Offer, an aggregate of 280,000,000 new ordinary shares of the Company of HK\$0.01 each were issued at a price of HK\$0.2 per share for a total cash consideration, before share issue costs, of HK\$56,000,000. Further details of the Share Offer are also set out in the Prospectus or in an announcement of the Company dated 19 June 2017.

All the shares which were issued by the Company during the period rank *pari passu* with other shares of the Company in all aspects.

Share capital as at 31 December 2016 represented the share capital of a subsidiary of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 26. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2017 and 2016 are presented in the consolidated statement of changes in equity of the financial statements.

Merger reserve represented the differences between the nominal value of the shares issued by the Company and the share capital of a subsidiary by the Company pursuant to the Reorganisation as defined in note 1 "Corporate Information and Reorganisation".

Capital reserve represented the capital contributions from the shareholders of the Group in relation to listing expenses reimbursed to the Company during the year ended 31 December 2017.

Asset revaluation reserve comprises the changes in the values of assets arising from revaluation.

## 27. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that have material non-controlling interests are set out below:

	2017 HK\$'000	2016 HK\$'000
Percentage of equity interest held by non-controlling interests: Winning Star	40%	40%
Profit for the year allocated to non-controlling interests: Winning Star	(112)	195
Accumulated balances of non-controlling interests at the reporting dates: Winning Star	3,382	3,494



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 27. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Winning Star	
	2017 HK\$'000	2016 HK\$'000
Revenue	15,871	17,527
Total expense	(16,152)	(17,041)
Profit/(loss) for the year	(281)	486
Total comprehensive income/(expense) for the year	(281)	486
Current assets	8,266	7,379
Non-current assets	2,304	3,140
Current liabilities	(2,082)	(1,716)
Non-current liabilities	(34)	(68)
Net cash flows from/(used in) operating activities	1,528	(1,138)
Net cash flows used in investing activities	–	(122)
Net increase/(decrease) in cash and cash equivalents	1,528	(1,260)

## 28. OPERATING LEASE ARRANGEMENTS

### As lessee

The Group leases a warehouse under an operating lease arrangement. Lease is negotiated for a term of 3 years (2016: 3 years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	450	600
In the second to fifth years, inclusive	–	450
	450	1,050

## 29. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 30. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following capital commitments at the end of the reporting period:

	2017 HK\$'000	2016 HK\$'000
Contracted but not provided for:		
Acquisition of items of plant and equipment	2,067	742

## 31. RELATED PARTY TRANSACTIONS

(a) The directors are of the view that the following persons and entities were related parties that had material transactions or balances with the Group during the year:

Name of the related party	Relationship with the Group
Ms. leong Sok leng ("Ms. leong")	Mother of Mr. Yu Ting Hei ("Mr. Yu"). Mr. Yu is a director of the Company and a shareholder of Keyview Ventures.
Yau Heng	Mr. Yu, a director of the Company and a shareholder of Keyview Ventures, and his family members including Ms. leong, are beneficial shareholders of Yau Heng.
Winning Futures	Ms. leong, mother of Mr. Yu, is a beneficial shareholder of Winning Futures.
lao lp	Mr. Yu and his family members are beneficial shareholders of lao lp.
Guangzhou Ge Yun	The spouse of Ms. Ou Hong Lian ("Ms. Ou") and her family member are beneficial shareholders of Guangzhou Ge Yun. Ms. Ou is a shareholder of Keyview Ventures.
Golden Cup	Mr. Ho Wing Nin, a director and a beneficial shareholder of Top Ocean, is also a director and a shareholder of Golden Cup. Golden Cup is a wholly-owned subsidiary of Superstar Group Industries Limited ("Super Star Group").

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 31. RELATED PARTY TRANSACTIONS (Continued)

- (b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2017 HK\$'000	2016 HK\$'000
<b>Golden Cup</b>		
Sales of goods	19,665	19,597
Purchase of goods	6,764	7,034
Storage, handling, sub-contracting and sundry income	1,153	1,221
Transportation service income	3,346	3,312
Advertising and promotion expenses	5	80
Entertainment, consumable stores, licence fee and staff messing expenses	1	174
Packing and sundry expenses	–	62
Parking expenses	–	36
<b>Yau Heng<sup>^</sup></b>		
Sales of goods	5,531	3,240
Purchases of goods	685	2,547
Transportation service income	79	49
Sundry income	1	–
<b>Guangzhou Ge Yun<sup>^</sup></b>		
Purchase of goods	3,908	4,758
Consumable expenses	73	112
Storage income	–	2
<b>lao Ip<sup>^</sup></b>		
Rental expense	600	600
<b>Winning Futures<sup>^</sup></b>		
Sales of goods	3,738	5,603
Transportation service income	38	65
Management service income	–	336
Sundry income	4	–

<sup>^</sup> These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

The transactions with related companies were conducted on terms and conditions mutually agreed between the relevant parties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 31. RELATED PARTY TRANSACTIONS (Continued)

- (c) Compensation of key management personnel of the Group:

	2017 HK\$'000	2016 HK\$'000
Short term employee benefits	5,258	4,838
Post-employment benefits	72	86
Total compensation paid to key management personnel	5,330	4,924

Further details of directors' remuneration are included in note 9 to the financial statements.

- (d) Mr. Lai King Wah, a director of the Company and a shareholder of Keyview Ventures, provided personal guarantees for the Group's bank loans and facilities up to HK\$46,080,000 as at 31 December 2016. These personal guarantees have been released upon the Listing and as at 31 December 2017.
- (e) Commitments with related parties:

During the year ended 31 December 2017, a subsidiary of the Group, as the lessee, entered into a tenancy agreement with Iao Ip, a related company of the Group, for leasing an office property for a term of three years. As disclosed in note 28 to the financial statements, the total operating lease commitments due within one year, and two to five years were HK\$450,000 (2016: HK\$600,000) and nil (2016: HK\$450,000), respectively, as at 31 December 2017.

## 32. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group and/to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Scheme became effective on 5 June 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 32. SHARE OPTION SCHEME (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and such period shall not be more than ten years from the date of offer of the share options and the directors may at its discretion determine the minimum period for which the share options have to be held before the exercise of the share option.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the share option, which must be a trading day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the grant of the share option; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options had been granted by the Company under the Scheme during the years ended 31 December 2017. There were no outstanding share options under the Scheme as at 31 December 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### Financial assets

#### *Loans and receivables*

	2017 HK\$'000	2016 HK\$'000
Trade receivables	18,264	17,920
Financial assets included in prepayments, deposits and other receivables	513	417
Due from related parties	192	207
Cash and cash equivalents	24,620	11,329
	<b>43,589</b>	<b>29,873</b>

### Financial liabilities

#### *Financial liabilities at amortised cost*

	2017 HK\$'000	2016 HK\$'000
Trade payables	6,732	5,793
Financial liabilities included in other payables and accruals	2,213	1,042
Due to related parties	168	213
Interest-bearing bank borrowings	24,256	28,294
	<b>33,369</b>	<b>35,342</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank borrowings. The Group has various other financial assets and liabilities such as trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and balances with related companies, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with a floating interest rate. In order to manage the cash flow interest rate risk, the Group will repay the corresponding borrowings when it has surplus funds.

At 31 December 2017, if the interest rates on bank borrowings had been 100 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have been decreased/increased by approximately HK\$243,000 (2016: HK\$282,000) as a result of higher/lower interest expenses on bank borrowings.

### Credit risk

Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Details in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets included in prepayments, deposits and other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

### Liquidity risk

In order to manage 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 fluctuations in cash flows. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year or on demand HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>2017</b>				
Trade payables	6,732	–	–	6,732
Financial liabilities included in other payables and accruals	2,213	–	–	2,213
Due to related parties	168	–	–	168
Interest-bearing bank borrowings*	2,390	9,558	16,149	28,097
	<b>11,503</b>	<b>9,558</b>	<b>16,149</b>	<b>37,210</b>
	Within 1 year or on demand HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>2016</b>				
Trade payables	5,793	–	–	5,793
Financial liabilities included in other payables and accruals	1,042	–	–	1,042
Due to related parties	213	–	–	213
Interest-bearing bank borrowings*	34,292	–	–	34,292
	<b>41,340</b>	<b>–</b>	<b>–</b>	<b>41,340</b>

\* Included in interest-bearing bank borrowings are bank loans of HK\$28,294,000 containing a repayment on demand clause giving the lender the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, these amounts are classified as "on demand" as at 31 December 2016. Such clause had been removed during the year ended 31 December 2017.

Notwithstanding the above repayment on demand clause, the directors did not believe that the bank loans would be called in their entirety within 12 months, and they considered that the bank loans would be repaid in accordance with the maturity dates as set out in the respective agreements. This evaluation was made considering: the financial position of the Group at the approval date of the financial statements; the Group's compliance with the loan covenants; the lack of events of default; and the fact that the Group had made all previously scheduled repayments on times.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk (continued)

The maturity profile of the Group's financial liabilities at year end, based on the contractual undiscounted payments, is as follows:

	2016 HK\$'000
Within one year	3,881
In the second year	3,881
In the third to fifth years	10,556
Over five years	15,974
	34,292

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, return capital to the shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio, which is interest-bearing debts divided by capital. Debts include interest-bearing bank borrowings. Capital represents total equity of the Group. The gearing ratios as at the end of the reporting period were as follows:

	2017 HK\$'000	2016 HK\$'000
Interest-bearing bank borrowings and total debts	24,256	28,294
Total equity	126,953	69,363
Total debts to total equity ratio	19%	41%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year ended 31 December 2016, the loans to shareholders of HK\$8,800,000 were fully settled by offsetting with the dividend of HK\$8,800,000 declared to the shareholders of the Company.

### (b) Changes in liabilities arising from financing activities:

	Interest-bearing bank borrowing HK\$'000
At 1 January 2017	28,294
Changes from financing cash flows	(4,038)
At 31 December 2017	24,256

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 HK\$'000
<b>NON-CURRENT ASSET</b>	
Investment in a subsidiary	–
<b>CURRENT ASSETS</b>	
Prepayments	328
Due from subsidiaries	120,728
Cash and cash equivalents	549
<b>Total current assets</b>	<b>121,605</b>
<b>CURRENT LIABILITIES</b>	
Accruals	127
Due to a subsidiary	1,248
<b>Total current liabilities</b>	<b>1,375</b>
<b>NET CURRENT ASSETS</b>	<b>120,230</b>
<b>Net assets</b>	<b>120,230</b>
<b>EQUITY</b>	
Share capital	14,000
Reserves (note)	106,230
<b>Total equity</b>	<b>120,230</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At 3 January 2017 (date of incorporation)	–	–	–	–
Issuance of shares and effects of group reorganisation (note 25(b))	68,963	–	–	68,963
Issue of new shares upon capitalisation issue (note 25(d))	(11,200)	–	–	(11,200)
Issue of new shares in connection with the share offer (note 25(e))	53,200	–	–	53,200
Share issue expenses	(7,472)	–	–	(7,472)
Contributions from shareholders	–	5,100	–	5,100
Loss and total comprehensive expense for the year	–	–	(2,361)	(2,361)
At 31 December 2017	103,491	5,100	(2,361)	106,230

## 37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2018.

## FINANCIAL SUMMARY

### For the years ended 31 December

	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	132,934	133,578	112,865
Profit/(loss) before taxation	(6,333)	6,688	9,787
Taxation	(1,490)	(1,985)	(1,476)
Profit/(loss) for the year	(7,823)	4,703	8,311
Attributable to:			
Owners of the Company	(7,534)	4,633	8,364
Non-controlling interests	(289)	70	(53)
	(7,823)	4,703	8,311

### At 31 December

	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Assets and liabilities			
Total assets	170,711	113,296	123,737
Total liabilities	(43,758)	(43,933)	(49,203)
	126,953	69,363	74,534
Equity contributable to:			
Owners of the Company	122,997	65,118	70,359
Non-controlling interests	3,956	4,245	4,175
	126,953	69,363	74,534