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

2019
ANNUAL REPORT

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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. Ou Honglian

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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

PRINCIPAL BANKER

Shanghai Commercial Bank Limited

COMPANY'S WEBSITE

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 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 2019.

2019 was a difficult year for most, if not all, companies in Hong Kong. Unfortunately, we were no exception. The outbreak of swine flu early this year posted the first impact to us. There was a shift in sales mix from pork to chicken which corresponded with consumers' shift in food preference and in turn this lowered the profit margin. The prolonged social movement and its complications and the effects of the trade war between the United States and the PRC unavoidably adversely affected the Group's business in 2019. At the time of writing this statement, the outbreak of a novel coronavirus (now known as "**COVID-19**") has been spreading throughout the PRC as well as Hong Kong. Hopefully, this epidemic will end in the near future but according to some medical experts this may not be the case. However, the longer it lasts, the graver the impact to Hong Kong's economy as well as the Group's business.

In any case, I wholeheartedly appreciate all the continuous support to the Company by our staff, customers and other stakeholders. As in the past, we will do our very best to strive for better business performance and results.

Lai King Wah
Chairman

23 March 2020

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, provision of transportation services and the operation of a restaurant in Hong Kong.

On 30 June 2017 (the "**Listing Date**"), 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.

On 24 May 2019, Winning Tower Group Limited ("**Winning Tower Group**"), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement with Wing Si Worldwide Holdings Limited ("**Wing Si**") pursuant to which Winning Tower Group is interested as to 55% and Wing Si is interested as to 45% of the joint venture, which is the vehicle for their participation in catering and food business in Hong Kong. For details, please refer to the announcement of the Company dated 24 May 2019.

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 2019 (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	8.8
Strengthening Group's logistics team	2.4	2.4
Setting up human resources department	0.9	0.4
Upgrade of internal management system	0.7	0.4
Working capital and other corporate development	5.1	5.1
	39.9	39.1

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:

	Planned Business objective	Actual Business progress
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 discussion 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 two premises and renovation completed
To strengthen logistics team	To acquire three more vehicles equipped with refrigeration facilities before the end of 2018	Acquired three vehicles equipped with refrigeration facilities
To enhance internal support	To hire two new staff and set up and oversee human resources department	An administrative assistant was hired to handle administration works In the process of interviewing candidates for the human resource manager

RESULTS AND FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group recorded approximately HK$135 million revenue as compared with last year's corresponding period of approximately HK$136 million, representing a decrease of approximately 0.7%, which was mainly due to the decrease in sales of cooked food products and a change of customers' preference as a result of the outbreak of swine flu in China, leading to a change of products mix from pork to chicken where the selling price per kilogram of our chicken products are lower than pork products.

Cost of inventories consumed and loss before tax

For the year ended 31 December 2019, the Group's cost of inventories consumed and loss before tax from operations was approximately HK$90.8 million and HK$8.4 million respectively, while the cost of inventories consumed and profit before tax from operation in last year's corresponding period was approximately HK$88.5 million and approximately HK$5.3 million respectively. The increase in cost of inventories consumed was due to a change of customers' preference as a result of the outbreak of swine flu in China, leading to a change of product mix from pork to chicken, lowering the gross profit margin.

RESULTS AND FINANCIAL REVIEW (Continued)

Employee benefit expenses

For the year ended 31 December 2019, the Group's employee benefit expenses increased to approximately HK$21.3 million from last year's corresponding period's approximately HK$21.2 million which was attributable to increase in wages.

Income tax expense

For the year ended 31 December 2019, the Group's income tax expense was approximately HK$0.2 million which was lower than last year's corresponding period's approximately HK$1.2 million. The decrease in tax expense was due to the decrease in taxable profit.

Loss for the year

Based on the above reasons, for the year ended 31 December 2019, the Group recorded a net loss for the period of approximately HK$9.3 million versus a net profit of approximately HK$3.6 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 2019.

Liquidity and financial resources

As at 31 December 2019, the Group had net current assets of approximately HK$75.1 million (2018: HK$37.8 million), of which cash at bank consisted of approximately HK$65.3 million (2018: approximately HK$21.7 million). The Group had bank borrowings amounted to approximately HK$25.1 million (2018: approximately HK$27.4 million).

Gearing ratio

As at 31 December 2019, the Group's gearing ratio was approximately 0.18 (2018: 0.19), which is calculated based on the Group's bank loans of approximately HK$25.1 million (2018: HK$27.4 million) and the Group's total equity of approximately HK$141.7 million (2018: HK$143.1 million).

Capital structure

As at 31 December 2019, 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 during the financial year under review.

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 2019, the Group's leasehold land and buildings held for own use with a net carrying amount of approximately HK$59.0 million (2018: HK$103.0 million) have been pledged to secure banking facilities granted to the Group.

Currency risk

As at 31 December 2019, 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 2019, the Group did not have any material capital commitments (31 December 2018: nil).

Contingent liabilities

As at 31 December 2019, the Group did not have any material contingent liabilities (31 December 2018: nil).

Event after report date

There were no significant events occurring after the year ended 31 December 2019.

Material acquisitions and disposals of subsidiaries and affiliated companies

As at 31 December 2019, the Group did not have material acquisitions and disposals of subsidiaries and affiliated companies.

FINANCIAL KEY PERFORMANCE (Continued)

Major and connected transactions

On 2 July 2019, Winning Tower Group, an indirect wholly-owned subsidiary of the Company, entered into property disposal agreements (the "**Property Disposal Agreements**") with Iao Ip Property Investment Limited ("**Iao Ip Property**"), pursuant to which Iao Ip Property had conditionally agreed to acquire and Winning Tower Group had conditionally agreed to sell two properties, namely, Units 803 and 808, 8/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong (the "**Properties**") while the consideration about the sale and purchase of the Properties at the aggregated consideration of HK$45,516,400. Of which, the consideration of Units 803 and 808 was HK$27,645,000 and HK$17,871,400 respectively. Pursuant to the Property Disposal Agreements, Iao Ip Property and Winning Tower Group shall enter into the respective leasing agreements (the "**Leasing Agreements**") where Iao Ip Property as landlord should lease to Winning Tower Group as tenant the Properties for a term of three years commencing from the date which all the conditions precedent were fulfilled according to the Property Disposal Agreements. According to the Leasing Agreements, the rent for Units 803 and 808 was HK$87,300 and HK$56,436 per month respectively, totalling HK$143,736 per month, inclusive of property tax, management fee, government rent and rates but exclusive of water, gas and electricity charges.

Iao Ip Property was owned as to 20% by Mr. Yu Ting Hei, a non-executive Director ("**Mr. Yu**") and as to 80% in aggregate by three associates of Mr. Yu. Mr. Yu is a non-executive Director and one of the controlling shareholders of the Company. As such, Iao Ip Property is an associate of Mr. Yu and hence a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules. Accordingly, the disposal of the Properties also constituted a connected transaction of the Company, and was subject to announcement, reporting, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As a result, an extraordinary general meeting was convened and held on 9 September 2019 (the "**EGM**") at which Keyview Ventures Limited, the Company's controlling shareholder, was required to abstain from voting. At the EGM, the resolution was passed by the independent shareholder and the transactions were completed on 30 September 2019.

The proceeds arisen from the disposal of the Properties were approximately HK$45.5 million which were intended to repay certain bank facilities.

Environmental policies and compliance with relevant laws and regulations

Please refer Section "Environmental, Social and Governance Report" 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 68, is the founder of the business of the 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 the Group.

Mr. Lai has more than 42 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 the 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 41, was appointed as Chief Executive Officer, executive Director of the Company on 3 January 2017.

Mr. Eldon Lai has more than seven years of experience in the food processing and trading industry in Hong Kong. Since March 2012, he joined the 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 the Group, management of the construction and renovation of the Group's 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 the 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 the 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 32, 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 seven 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 the Group's business operations.

NON-EXECUTIVE DIRECTORS

Mr. YU Ting Hei (余庭曦), aged 34, was appointed as non-executive Director on 3 January 2017. Mr. Yu has more than 10 years of experience in the food processing and trading industry in Hong Kong and Macau. He joined the 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 the Group.

Mr. CHOW Kuen Chung (周權忠), aged 56, 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 37 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 the Group.

NON-EXECUTIVE DIRECTORS (Continued)

Ms. OU Honglian (歐紅蓮), aged 42, has more than 16 years of experience in food industry in China and had been a business manager of a produce company in Guangzhou. She is one of the substantial shareholders of Keyview Ventures Limited, the Company's substantial shareholder, holding approximately 23.22% interest.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAU Chun Wai (周振威), aged 68, 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 38 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 the Board, the remuneration committee, audit committee and nomination committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. LO Sun Tong (盧燊棠), aged 68, was appointed as independent non-executive Director, chairman of audit committee, member of the 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 46 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 61, 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 12 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 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in processing and sales of raw, frozen and cooked food products, provision of transportation services, and the operation of a restaurant in Hong Kong. The principal activities of the 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 2019 and the Group's financial position at that date are set out in the financial statements on pages 47 to 123.

DIVIDENDS

The Directors did not recommend any final dividend for the year ended 31 December 2019.

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 52 and note 27 to the financial statements respectively.

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$104,454,000 (2018: HK$105,416,000). The amount includes the Company's share premium, capital reserve and accumulated losses which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

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 2019, is set out on page 124 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 2019, 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 year ended 31 December 2019.

FUTURE PROSPECTS AND DEVELOPMENT

The Group has commenced research and development discussions on new products with potential and existing customers. The Group is also exploring new business opportunities that can utilize and has synergy with our existing business. This will help us grow and diversify our existing businesses and enable our long-term strategy of vertically integrating the Group's operations.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have material acquisitions, disposals and significant investments during the year ended 31 December 2019.

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)*
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. Ou Honglian*
Ms. Ho Lai Sze Jacqueline#

Independent non-executive Directors

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

Notes:

* appointed on 30 August 2019
\# resigned on 30 August 2019

By virtue of article 84(1) of the articles of association of the Company, Mr. Yu Ting Hei, Mr. Chow Kuen Chung and Mr. Chau Chun Wai shall retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at such meeting. By virtue of article 83(3) of the articles of association of the Company, Ms. Ou Honglian shall retire from office at the forthcoming annual general meeting of the Company and, being eligible, offer herself 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 for a period of three years commencing from 5 June 2017, except for a letter of appointment entered into with Ms. Ou Honglian for a period of three years commencing from 30 August 2019.

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' INTERESTS IN CONTRACTS

Save as disclosed in this report, no contracts of significance to which the Company, its holding company, or any of its 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 2019, the Group had 48 employees (2018: 55). 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 employee 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 genders.

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 individual,s are set out in notes 9 and 10 to the financial statements.

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 2019, 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 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	19.01

Save as disclosed above, as at 31 December 2019, 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.

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 2019, 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 2019, 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 2019.

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 the 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 the 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.

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. The 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. The 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, the 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, the 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.

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.

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

Winning tower Group Limited ("**Winning Tower Group**"), a wholly-owned subsidiary of the Company, has entered into (1) a master supply agreement with Winning Futures Limited ("**Winning Futures**"), formerly known as Winning Tower (Macau) Limited) and Yau Heng Frozen Meat & Food Company Limited ("**Yau Heng**"); (2) a master supply agreement with Winning Star Foods Limited ("**Winning Star**"); (3) a master purchase agreement with Guangzhou City Ge Yun Trading Company Limited ("**Guangzhou Ge Yun**"); and (4) a master transportation service agreement with Maxford Logistics Limited ("**Maxford Logistics**"), 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.

	Contract Name	Transaction amount for the year ended 31 December 2019 recorded in the books and records HK$'000	Maximum annual caps for the year ended 31 December 2019 as disclosed in the Prospectus HK$'000
Related Party Agreements (as defined by the Prospectus)			
1.	Master Supply Agreement for Winning Futures and Yau Heng	9,823	10,000
2.	Master Supply Agreement for Winning Star	733	4,000
3.	Master Purchase Agreement of Guangzhou Ge Yun	5,024	5,600
4.	Master Transportation Service Agreement for the Group	3,380	3,600

CONTINUING CONNECTED TRANSACTIONS (Continued)

As all the master agreements would expire on 31 December 2019, Winning Tower Group has, on 16 December 2019, renewed (i) master supply agreement with Winning Futures and Yau Heng, (ii) master transportation service agreement with Maxford, and (iii) master purchase agreement with Guangzhou Ge Yun.

Based on the historical figures and the expected demand, the Group proposed the annual caps of the above transactions in the coming three financial years are as follows:

	For the financial years ending 31 December		
	2020	**2021**	**2022**
	HK$'000	HK$'000	HK$'000
Master supply agreement with Winning Futures and Yau Heng	10,000	10,000	10,000
Master transportation service agreement with Maxford	3,800	4,200	4,600
Master purchase agreement with Guangzhou Ge Yun	9,000	9,300	9,700

The Directors are of the view that all the above transactions are (i) on normal commercial terms and in the ordinary course of business of the Group; (ii) the annual caps of which are fair and reasonable; and (iii) are in the interests of the shareholders of the Company as a whole.

The one or more of the applicable ratios (as defined under Chapter 20 of the GEM Listing Rules) regarding the proposed annual cap of each of the continuing connected transactions for each of the three years ending 31 December 2022 are less than 25% and the annual consideration did not exceed HK$10,000,000, the transactions contemplated herein are subject to the requirements of reporting, annual review and announcement but are exempt from compliance with the requirements of circular (including independent financial advice) and approval by the independent Shareholders under Chapter 20 of the GEM Listing Rules.

For details of the above transactions, please refer to the announcements of the Company dated 16 December 2019 and 27 December 2019.

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 2019 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 Agreements" on page 15 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 (2018: 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.

MAJOR SUPPLIERS AND CUSTOMERS (Continued)

Suppliers (Continued)

During the year ended 31 December 2019, sales to the Group's five largest customers accounted for approximately 67.7% of the total sales for the year and sales to the largest customer included therein amounted to approximately 26.3%. Purchases from the Group's five largest suppliers accounted for approximately 56.6% of the total purchases for the year and purchase from the largest supplier included therein amounted to approximately 18.4%.

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 2019, 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 made donations for charitable purposes of HK$64,000 (2018: HK$34,000) during the year ended 31 December 2019.

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' 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 ended 31 December 2019 was the Company, its holding company, or any of its 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 27 to 35 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 2019 and up to the date of this report.

AUDITOR

Ernst & Young retires and a resolution for the reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Winning Tower Group Holdings Limited

Lai King Wah
Chairman and Executive Director
Hong Kong

23 March 2020

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 year ended 31 December 2019.

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 2019.

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.

Accordingly, Mr. Yu Ting Hei, Mr. Chow Kuen Chung, Mr. Chau Chun Wai and Ms. Ou Honglian 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 comprises 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 *(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. Ou Honglian*
Ms. Ho Lai Sze Jacqueline#

Independent non-executive Directors

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

Notes:

* appointed on 30 August 2019
\# resigned on 30 August 2019

The brief biographical details of the Directors are set out in the section headed "Biographies of Directors" on pages 10 to 13 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 16 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.

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 year ended 31 December 2019, there were four Board meetings and two general meetings were held. Details of the attendance of each director are as follows:

Directors	Board meeting	General meeting
Mr. Lai King Wah	4/4	2/2
Mr. Lai Ho Yin Eldon	4/4	2/2
Mr. Ho Timothy Kin Wah	4/4	2/2
Mr. Yu Ting Hei	4/4	2/2
Mr. Chow Kuen Chung	3/4	2/2
Ms. Ou Honglian*	1/4	0/1
Ms. Ho Lai Sze Jacqueline#	3/4	1/2
Mr. Chau Chun Wai	4/4	2/2
Mr. Lo Sun Tong	4/4	2/2
Mr. Lam Lai Kiu Kelvin	4/4	2/2

Notes:

* appointed on 30 August 2019
\# resigned on 30 August 2019

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.

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 the 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 year ended 31 December 2019, there were four Audit Committee meetings were held. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Mr. Lo Sun Tong	4/4
Mr. Chau Chun Wai	4/4
Mr. Lam Lai Kiu Kelvin	4/4

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 2019 amounted to HK$1,136,000, and those in relation to non-audit services was HK$440,000.

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 one Remuneration Committee meeting was held during the year ended 31 December 2019 with all members of the committee present.

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.

During the year ended 31 December 2019, there was one Nomination Committee meeting was held with all members present.

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.

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 2019, 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. From 1 August 2018, Mr. Tsang ceased to be an employee of the Company as required under code provision F.1.1 of the CG Code, the Company has assigned Mr. Lai Ho Yin Eldon, the executive Director, as the contact person with Mr. Tsang. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Tsang through the contact person assigned. Hence, all Directors are still considered to have access to the advice and services of the Company Secretary in light of the above arrangement in accordance with code provision F.1.4 of the CG Code. Having in place a mechanism that Mr. Tsang will be informed of the Group's development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Tsang as the Company Secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations. For the reporting period, Mr. Tsang has duly complied with the relevant professional training requirement under Rule 5.15 of the Listing Rules.

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.

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.

DIVIDEND POLICY

The Company is committed to sharing financial results with shareholders while striking a balance with continuous development of its business. As a certain extent of capital is expected to be invested in its businesses in the future, the Company does not expect to distribute any dividend in the near term.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE

This is the third 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 2019 to 31 December 2019, 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.

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 cost 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 plans obtain HACCP and GMP certification 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 of 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 resource, leading the Group's development with social responsibility and creating a better future for our society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 are relatively not environmentally friendly. When selecting a new truck, we would consider fuel efficiency and 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 44,802L.

Emissions Data from Gaseous Fuel Consumption

Gaseous	KG
NOx	586
SOx	1
PM	16

A1.2 Greenhouse gas emissions in total (in KG).

GHG emissions from mobile combustion sources (road transport).

Gaseous	KG
CO_2 Emission	117,112
CH_4 Emission	0.1071
N_2O Emission	0.332

Energy indirect emissions (main sources are purchased electricity)

The Group's annual electricity consumption is 1,557,746 kWh.

Gaseous	KG
NOx	2,025.07
SO_2	3,271,27
PM	155.77
CO_2	981,379.98

A. ENVIRONMENTAL (Continued)

A1. Emissions (Continued)

A1.2 Greenhouse gas emissions in total (in KG). (Continued)

The Group's annual fresh water consumption is 14,258 cubic metres and sewage is 14,258 cubic metres.

Gaseous	Fresh water processing in KG	Sewage processing in KG
CO_2	5,760.23	3,122.5

Business Trip

Destination	Trip Type	Passengers	One Way Distance in km	TOTAL (KM)	CO_2 Emissions in kg
Hong Kong to Auckland	Round Trip	4	9,406	75,248	6,320.00
Hong Kong to Australia	Round Trip	4	7,371	58,968	5,120.00
Hong Kong to Philippines	Round Trip	2	1,322	5,288	620.00
Total CO_2 Emissions in kg					12,060.00

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.

Gaseous	Office Paper in KG	Workshop Paper in KG
CO_2	3,072	3,072

A. ENVIRONMENTAL (Continued)

A1. Emissions (Continued)

A1.5 Measures to mitigate emissions and results achieved.

The Group reduces the uses 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.

A2. Use of Resources

The Group uses energy saving lighting equipment such as energy saving light bulbs and LED lighting systems. Further 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 need 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, they should only print hardcopy of the documents with 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 improved. With reference to the Group's job vacancies, the Group's policy is to give priority to offer internal promotion our current employee who is 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.

(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 providing a safe working environment and complies with applicable laws and regulations. We also regularly review our policy and, where possible, improve safety measures. On the other hand, the Group always reminds employees to be alert the health and safety of themselves and other employees. 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 license we acquired the necessary Fire Services Certificates. Our workshops and offices are equipped with fire extinguishers and fire escape routes are 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.

B. SOCIAL (Continued)

Employment and Labour Practices (Continued)

(iv) Labour Standards

The Group has a comprehensive recruitment procedure and strictly prohibits the recruitment of child or forced labour. The Group's management 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.

Operating Practices

(v) Supply Chain Management

When selecting quality and stable suppliers, the Group uses environmental and social performance as two of the key evaluation criteria. 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 with consistent high quality, at a fair and reasonable price while at the same time minimizing any 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 conducts. Employees are not allowed to receive any benefits and gifts from suppliers or customers. The Group reminds employees that they must 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 reviews 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 2019/2020 Caring Company Logo. The management of the Group encourages employees to participate in community and charity services so as to give back to society.

EY 安永

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 47 to 123, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of leasehold land and buildings	
As at 31 December 2019, the Group had leasehold land of HK$59,020,000 and buildings of HK$17,280,000 (collectively "Properties") held for the Group's own used classified as right-of-use assets and property, plant and equipment, respectively, which were measured at fair value. The measurement of the 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 out by the external valuers. The accounting judgements and estimates and disclosures are included in notes 3, 14 and 15 to the financial statements.	We reviewed the competency, capability and objectivity of the external valuers appointed by management. We assessed the related data and assumptions being adopted, including unobservable inputs and other estimates, by comparing key valuation parameters including the saleable unit rate per square foot with market information. We also involved our internal valuation specialists to assist us in reviewing the valuation methodologies applied and key valuation parameters adopted in the valuation. We further assessed the disclosures related to the assumptions used in determining the fair value.
Impairment assessment of goodwill, property, plant and equipment and right-of-use assets	
At 31 December 2019, the Group had property, plant and equipment ("PPE") of HK$33,952,000 and right-of-use assets ("ROU") of HK$67,556,000. During the year ended 31 December 2019, the Group impaired the PPE balance of HK$637,000 and fully impaired the goodwill balance of HK$2,302,000. Management carried out an impairment assessment on (i) goodwill allocated to the cash-generating units ("CGUs") of the Group at least annually, and (ii) the assets under the underperforming CGUs of the Group which have an impairment indicator. The recoverable amounts of these CGUs have been determined based on value in use calculations using discounted cash flow projections. The impairment assessment process involved management's significant judgements and estimates. The accounting judgements and estimates and disclosures are included in notes 3, 8, 14, 15 and 16 to the financial statements.	Our audit procedures included, amongst others, evaluating the Group's policies and procedures to (i) assess the annual impairment testing of goodwill related to the underlying CGUs; and (ii) identify triggering events for potential impairment of assets related to the underperforming CGUs. We have also involved our internal valuation specialists to assist us in evaluating the assumptions, discount rate and methodologies used by the Group in the calculation of value in use using discounted cash flow, and compared the key assumptions used in the impairment assessment to historical data of the Group, our understanding of the latest market information and economic conditions and the external data in a similar industry to assess the assumptions made by management.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

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

23 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**134,741**	136,218
Cost of inventories consumed		**(90,836)**	(88,514)
Other income	6	**2,946**	1,487
Employee benefit expenses		**(21,346)**	(21,246)
Depreciation		**(9,735)**	(7,140)
Transportation and storage fee		**(3,614)**	(3,560)
Utilities and consumables		**(3,097)**	(2,992)
Rental and related expenses		**(1,497)**	(1,506)
Other operating expenses		**(15,986)**	(7,462)
PROFIT/(LOSS) BEFORE TAX FROM OPERATIONS		**(8,424)**	5,285
Finance costs	7	**(729)**	(549)
PROFIT/(LOSS) BEFORE TAX	8	**(9,153)**	4,736
Income tax expense	11	**(188)**	(1,167)
PROFIT/(LOSS) FOR THE YEAR		**(9,341)**	3,569
Attributable to:			
Owners of the Company		**(7,602)**	3,555
Non-controlling interests		**(1,739)**	14
		(9,341)	3,569
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
— Basic and diluted (expressed in HK cents per share)	13	**(0.54)**	0.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**(9,341)**	3,569
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:			
Revaluation surplus, net	14,15	**1,418**	15,102
Deferred tax debited to asset revaluation reserve	25	**(234)**	(2,492)
Deferred tax credited to asset revaluation reserve upon disposal of assets	25	**6,733**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**7,917**	12,610
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**(1,424)**	16,179
Attributable to:			
Owners of the Company		**315**	16,165
Non-controlling interests		**(1,739)**	14
		(1,424)	16,179

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**33,952**	139,320
Right-of-use assets	15	**67,556**	–
Goodwill	16	**–**	2,302
Prepayments, deposits and other receivables	19	**1,123**	–
Due from a related party	20	**–**	130
Deferred tax assets	25	**273**	388
Total non-current assets		**102,904**	142,140
CURRENT ASSETS			
Inventories	17	**5,737**	4,953
Trade receivables	18	**16,729**	19,850
Prepayments, deposits and other receivables	19	**4,576**	3,170
Due from related parties	20	**8**	577
Tax recoverable		**949**	796
Cash and cash equivalents	21	**65,327**	21,668
Total current assets		**93,326**	51,014
CURRENT LIABILITIES			
Trade payables	22	**5,611**	6,105
Other payables and accruals	23	**7,683**	4,412
Due to a related party	20	**–**	121
Interest-bearing bank borrowings	24	**2,472**	2,337
Lease liabilities	15	**2,283**	–
Tax payable		**222**	287
Total current liabilities		**18,271**	13,262
NET CURRENT ASSETS		**75,055**	37,752
TOTAL ASSETS LESS CURRENT LIABILITIES		**177,959**	179,892
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**22,617**	25,023
Lease liabilities	15	**8,333**	–
Deferred tax liabilities	25	**5,301**	11,737
Total non-current liabilities		**36,251**	36,760
Net assets		**141,708**	143,132

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**14,000**	14,000
Reserves	27	**125,477**	125,162
		139,477	139,162
Non-controlling interests		**2,231**	3,970
Total equity		**141,708**	143,132

Lai King Wah
Director

Chow Kuen Chung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Notes	Attributable to owners of the Company								
		Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (note 27)	Capital reserve HK$'000 (note 27)	Asset revaluation reserve HK$'000 (note 27)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018		14,000	103,491	(36,733)	5,100	44,050	(6,911)	122,997	3,956	126,953
Profit for the year		–	–	–	–	–	3,555	3,555	14	3,569
Other comprehensive income/ (expense) for the year:										
Revaluation surplus	14	–	–	–	–	15,102	–	15,102	–	15,102
Deferred tax debited to asset revaluation reserve	25	–	–	–	–	(2,492)	–	(2,492)	–	(2,492)
Total comprehensive income for the year		–	–	–	–	12,610	3,555	16,165	14	16,179
At 31 December 2018		14,000	103,491*	(36,733)*	5,100*	56,660*	(3,356)*	139,162	3,970	143,132

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

		Attributable to owners of the Company								
	Notes	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (note 27)	Capital reserve HK$'000 (note 27)	Asset revaluation reserve HK$'000 (note 27)	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019		14,000	103,491	(36,733)	5,100	56,660	(3,356)	139,162	3,970	143,132
Loss for the year		–	–	–	–	–	(7,602)	(7,602)	(1,739)	(9,341)
Other comprehensive income/ (expense) for the year:										
Revaluation surplus, net	14,15	–	–	–	–	1,418	–	1,418	–	1,418
Deferred tax debited to asset revaluation reserve	25	–	–	–	–	(234)	–	(234)	–	(234)
Deferred tax credited to asset revaluation reserve upon disposal of assets	25	–	–	–	–	6,733	–	6,733	–	6,733
Total comprehensive income/ (expense) for the year		–	–	–	–	7,917	(7,602)	315	(1,739)	(1,424)
Release of asset revaluation reserve upon disposal of assets	15(g)	–	–	–	–	(40,804)	40,804	–	–	–
At 31 December 2019		14,000	103,491*	(36,733)*	5,100*	23,773*	29,846*	139,477	2,231	141,708

* These reserve accounts comprise the consolidated reserves of HK$125,477,000 (2018: HK$125,162,000) in the consolidated statement of financial position as at 31 December 2019.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(9,153)**	4,736
Adjustments for:			
Bank interest income	6	**(221)**	(85)
Finance costs	7	**729**	549
Depreciation of property, plant and equipment	8	**6,229**	7,140
Depreciation of right-of-use assets	8	**3,506**	–
Impairment of trade receivables	8	**197**	56
Impairment of property, plant and equipment	8	**637**	–
Impairment of goodwill	8	**2,302**	–
Write-off of items of property, plant and equipment	8	**4**	28
Gain on sale and leaseback transaction	6	**(976)**	–
Gain on disposal of items of property, plant and equipment	6	**(287)**	–
		2,967	12,424
Increase in inventories		**(784)**	(812)
Decrease/(increase) in trade receivables		**2,924**	(1,642)
Decrease/(increase) in prepayments, deposits and other receivables		**(2,529)**	1,620
Decrease/(increase) in amounts due from related parties		**699**	(515)
Decrease in trade payables		**(494)**	(627)
Increase in other payables and accruals		**1,021**	698
Decrease in an amount due to a related party		**(121)**	(47)
Cash generated from operations		**3,683**	11,099
Interest element of lease payments	7	**(97)**	–
Hong Kong profits tax paid		**(228)**	(1,090)
Net cash flows from operating activities		**3,358**	10,009
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**221**	85
Purchases of items of property, plant and equipment	14	**(4,048)**	(15,601)
Proceeds from sale and leaseback transaction	15	**45,516**	–
Proceeds from disposal of items of property, plant and equipment		**380**	–
Net cash flows from/(used in) investing activities		**42,069**	(15,516)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		–	5,000
Repayment of bank loans		**(2,339)**	(1,896)
Principal portion of lease payments		**(1,115)**	–
Increase in a loan from a non-controlling shareholder	23	**2,250**	–
Interest paid		**(632)**	(549)
Net cash flows from/(used in) financing activities		**(1,836)**	2,555
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**43,591**	(2,952)
Cash and cash equivalents at beginning of year		**21,668**	24,620
CASH AND CASH EQUIVALENTS AT END OF YEAR		**65,259**	21,668
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**9,199**	5,668
Non-pledged time deposits with original maturity of less than three months when acquired	21	**56,128**	16,000
Cash and cash equivalents as stated in the consolidated statement of financial position		**65,327**	21,668
Bank overdrafts	24	**(68)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**65,259**	21,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE INFORMATION

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.

The principal activity of the Company is investment holding. The Group is principally engaged in the processing and trading of raw, frozen and cooked food products, the provision of transportation services and the operation of a restaurant. In the opinion of the directors, the ultimate holding company of the Company is Keyview Ventures Limited ("**Keyview Ventures**"), a company incorporated in the British Virgin Islands with limited liability.

Information about subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2019 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	British Virgin Islands	US$1	100%	–	Investment holding
Winning Tower Group Limited	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
Winning Wings Limited	Hong Kong	HK$100	–	55%	Operation of a restaurant

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 right-of-use assets and property, plant and equipment, respectively, 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 2019. 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.

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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of premises. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases. Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets (i.e., leasehold land) of HK$91,680,000 that were reclassified from property, plant and equipment.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impact on transition (Continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Using hindsight in determining the lease term where the contract contains options to extend the lease;
- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review; and
- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) HK$'000
Assets	
Increase in right-of-use assets	93,753
Decrease in property, plant and equipment	(91,680)
Increase in total assets	2,073
Liabilities	
Increase in lease liabilities and total liabilities	2,073

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Financial impact at 1 January 2019 (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	**65**
Add: Payments for optional extension periods not recognised as at 31 December 2018	2,080
	2,145
Weighted average incremental borrowing rate as at 1 January 2019	2.43%
Discounted operating lease commitments and lease liabilities as at 1 January 2019	**2,073**

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered the interpretation did not have any impact on the financial position or performance of the Group.

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 2019 in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

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.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

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

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, deferred tax assets 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.

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.

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:

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30 to 42 years
Buildings	3 to 6 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land, the corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "property, plant and equipment".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable before 1 January 2019)

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. 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 subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

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, payables, 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 and payables, net of directly attributable transaction costs.

Subsequent measurement

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

Financial liabilities at amortised cost (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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 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, and 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, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Some contracts for the sale of goods provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of goods (Continued)

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) Provision of transportation services

Revenue from the provision of transportation services is recognised over the scheduled period when the transportation services are rendered.

(c) Restaurant operation

Revenue from restaurant operation is recognised at the point in time (i) when the catering services to the customers are completed; or (ii) when control of the assets is transferred to the customer, generally on delivery of the goods.

Other income

Interest income is recognised on an accrual basis using the effective interest 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

Determining the method to estimate variable consideration and assessing the constraint for the sale of goods

Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the goods with volume rebates, the Group determined that using a combination of the most likely amount method and the expected value method is appropriate. The selected method that better predicts the amount of variable consideration related to volume rebates is primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of buildings due to the significance of these assets to its operations. The lease has a short non-cancellable period (i.e., three years) and there will be a significant negative effect on production if a replacement is not readily available.

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.

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 notes 14 and 15 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 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 16 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit based on assumptions, as well as the overall market and economic conditions and chooses a suitable discount rate in a similar industry in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

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.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) processing and trading of food products; and

(b) restaurant operation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income and non-lease-related finance costs are excluded from such measurement.

Segment assets exclude cash and cash equivalents as these assets are managed on group basis.

Segment liabilities exclude interest-bearing bank borrowings as these liabilities are managed on group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (Continued)

(a) Operating segment information

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2019 and 2018.

Segment revenue/results:

	Processing and trading of food products		Restaurant operation		Elimination		Total	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Sales to external customers	131,613	136,218	3,128	–	–	–	134,741	136,218
Intersegment sales	282	–	–	–	(282)	–	–	–
Total	131,895	136,218	3,128	–	(282)	–	134,741	136,218
Segment results	(7,866)	5,200	(876)	–	–	–	(8,742)	5,200
Interest income							221	85
Finance costs (other than interest on leases)							(632)	(549)
Profit/(loss) before tax							(9,153)	4,736
Income tax expense							(188)	(1,167)
Profit/(loss) for the year							(9,341)	3,569

4. SEGMENT INFORMATION (Continued)

(a) Operating segment information (Continued)

Segment assets/liabilities:

	Processing and trading of food products		Restaurant operation		Elimination		Total	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Segment assets	129,269	171,486	4,474	–	(2,840)	–	130,903	171,486
Unallocated							65,327	21,668
							196,230	193,154
Segment liabilities	26,183	22,662	6,090	–	(2,840)	–	29,433	22,662
Unallocated							25,089	27,360
							54,522	50,022
Other segment information:								
Depreciation of items of property, plant and equipment	6,015	7,140	214	–	–	–	6,229	7,140
Depreciation of right-of-use assets	3,506	–	–	–	–	–	3,506	–
Impairment of property, plant and equipment	637	–	–	–	–	–	637	–
Impairment of goodwill	2,302	–	–	–	–	–	2,302	–
Impairment of trade receivables	197	56	–	–	–	–	197	56
Write-off of items of property, plant and equipment	4	28	–	–	–	–	4	28
Gain on disposal of items of property, plant and equipment	(287)	–	–	–	–	–	(287)	–
Gain on sale and leaseback transaction	(976)	–	–	–	–	–	(976)	–
Additions of property, plant and equipment	273	15,601	3,775	–	–	–	4,048	15,601
Additions of right-of-use assets	7,531	–	–	–	–	–	7,531	–

(b) Geographical information

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.

4. SEGMENT INFORMATION (Continued)

(c) Information about major customers

	2019 HK$'000	2018 HK$'000
Customer A #	35,456	43,213
Customer B #	24,705	25,817
Customer C #	12,877	18,046

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

5. REVENUE

An analysis of revenue is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers	134,741	136,218

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	Processing and trading of food products		Restaurant operation		Total	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Type of goods or services						
Sales of goods	127,796	132,443	–	–	127,796	132,443
Income from the provision of transportation services	3,817	3,775	–	–	3,817	3,775
Income from the operation of a restaurant	–	–	3,128	–	3,128	–
Total revenue from contracts with customers	131,613	136,218	3,128	–	134,741	136,218
Timing of revenue recognition						
Goods transferred at a point in time	127,796	132,443	3,128	–	130,924	132,443
Services transferred over time	3,817	3,775	–	–	3,817	3,775
Total revenue from contracts with customers	131,613	136,218	3,128	–	134,741	136,218

31 December 2019

5. REVENUE (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The Group sells goods to wholesalers and individual retailers. The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 60 days from delivery. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Restaurant operation

The performance obligation of income from restaurant operation is recognised at a point in time and satisfied upon (i) completion of the service or (ii) delivery of the food. Payment is generally due immediately or within 30 days from delivery.

Provision of transportation services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 60 days from the date of billing.

6. OTHER INCOME

	2019 **HK$'000**	2018 HK$'000
Bank interest income	**221**	85
Storage and handling income	**1,195**	1,211
Gain on sale and leaseback transaction (note 15(g))	**976**	–
Gain on disposal of items of property, plant and equipment	**287**	–
Others	**267**	191
	2,946	1,487

7. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank loans and overdrafts	632	549
Interest on lease liabilities	97	–
	729	549

8. PROFIT/(LOSS) BEFORE TAX

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

	2019 HK$'000	2018 HK$'000
Cost of inventories consumed	90,836	88,514
Depreciation of property, plant and equipment	6,229	7,140
Depreciation of right-of-use assets	3,506	–
Total depreciation	9,735	7,140
Minimum lease payments under operating leases	–	645
Lease payments not included in the measurement of lease liabilities	520	–
Other related expenses	977	861
Total rental and related expenses	1,497	1,506

8. PROFIT/(LOSS) BEFORE TAX (Continued)

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

	2019 HK$'000	2018 HK$'000
Directors' remuneration (note 9)	5,561	5,526
Employee benefit expenses (excluding directors' remuneration (note 9)):		
Salaries, wages and other benefits	15,167	15,083
Pension scheme contributions	618	637
Total employee benefit expenses	21,346	21,246
Auditor's remuneration	1,136	1,014
Impairment of trade receivables (note 18)	197	56
Impairment of goodwill (note 16)	2,302	–
Impairment of property, plant and equipment (note 14(b))	637	–
Write-off of items of property, plant and equipment	4	28
Gain on disposal of items of property, plant and equipment	(287)	–
Gain on sale and leaseback transaction (note 15(g))	(976)	–
Bank interest income	(221)	(85)

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:

	2019 HK$'000	2018 HK$'000
Fees	1,200	1,200
Other emoluments:		
Salaries, allowances and benefits in kind	3,765	3,730
Performance related bonuses	560	560
Pension scheme contributions	36	36
	4,361	4,326
Total	5,561	5,526

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
Year ended 31 December 2019					
Executive directors					
Mr. Lai King Wah *(Chairman)*	–	1,461	280	–	1,741
Mr. Lai Ho Yin Eldon *(Chief executive officer)*	–	1,404	200	18	1,622
Mr. Ho Timothy Kin Wah	–	900	80	18	998
	–	3,765	560	36	4,361
Non-executive directors					
Mr. Chow Kuen Chung	600	–	–	–	600
Ms. Ho Lai Sze Jacqueline#	80	–	–	–	80
Mr. Yu Ting Hei	120	–	–	–	120
Ms. Ou Honglian^	40	–	–	–	40
	840	–	–	–	840
Independent non-executive directors					
Mr. Chau Chun Wai	120	–	–	–	120
Mr. Lam Lai Kiu Kelvin	120	–	–	–	120
Mr. Lo Sun Tong	120	–	–	–	120
	360	–	–	–	360
	1,200	3,765	560	36	5,561

Resigned as a non-executive director with effect from 30 August 2019

^ Appointed as a non-executive director with effect from 30 August 2019

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

Name of director	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2018					
Executive directors					
Mr. Lai King Wah *(Chairman)*	–	1,486	280	–	1,766
Mr. Lai Ho Yin Eldon *(Chief executive officer)*	–	1,404	200	18	1,622
Mr. Ho Timothy Kin Wah	–	840	80	18	938
	–	3,730	560	36	4,326
Non-executive directors					
Mr. Chow Kuen Chung	600	–	–	–	600
Ms. Ho Lai Sze Jacqueline	120	–	–	–	120
Mr. Yu Ting Hei	120	–	–	–	120
	840	–	–	–	840
Independent non-executive directors					
Mr. Chau Chun Wai	120	–	–	–	120
Mr. Lam Lai Kiu Kelvin	120	–	–	–	120
Mr. Lo Sun Tong	120	–	–	–	120
	360	–	–	–	360
	1,200	3,730	560	36	5,526

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2018: four directors), and details of whose remuneration are set out in note 9 above.

Details of the remuneration for the year of the remaining one (2018: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**1,024**	1,046
Performance related bonuses	**90**	90
Pension scheme contributions	**19**	18
	1,133	1,154

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

	Number of employees	
	2019	2018
HK$1,000,001 to HK$1,500,000	**1**	1

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11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/19. The first HK$2,000,000 (2018: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

	2019 **HK$'000**	2018 HK$'000
Current — Hong Kong		
Charge for the year	**70**	1,148
Overprovision in prior years	**(60)**	(66)
Deferred (note 25)	**178**	85
Total tax charge for the year	**188**	1,167

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

	2019 **HK$'000**	2018 HK$'000
Profit/(loss) before tax	**(9,153)**	4,736
Tax at the statutory tax rate	**(1,574)**	452
Lower tax rate enacted by local authority	**32**	165
Adjustments in respect of current tax of prior years	**(60)**	(66)
Income not subject to tax	**(260)**	(14)
Expenses not deductible for tax	**1,061**	636
Tax losses utilised from prior years	**–**	(140)
Tax losses not recognised	**819**	134
Others	**170**	–
Tax charge at the Group's effective rate	**188**	1,167

12. DIVIDEND

The board of directors does not recommend a payment of a final dividend for the year ended 31 December 2019. In the prior year, no dividend had been paid or declared by the Company.

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:

	2019 HK$'000	2018 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company used in the basic earnings/(loss) per share calculation	**(7,602)**	3,555

	Number of shares	
	2019 '000	2018 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,400,000**	1,400,000
Earnings/(loss) per share		
Basic (HK cents)	**(0.54)**	0.25

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2019						
Cost or valuation:						
At 1 January 2019	120,500*	24,859	711	4,425	5,971	156,466
Effect of adoption of HKFRS 16	(91,680)	–	–	–	–	(91,680)
At 1 January 2019 (restated)	28,820	24,859	711	4,425	5,971	64,786
Additions	–	2,832	879	337	–	4,048
Write-off	–	–	(34)	(73)	–	(107)
Disposals	(10,290)	–	–	–	(1,113)	(11,403)
Deficit on revaluation	(670)	–	–	–	–	(670)
Write-back on revaluation	(580)	–	–	–	–	(580)
At 31 December 2019	17,280	27,691	1,556	4,689	4,858	56,074
Accumulated depreciation and impairment:						
At 1 January 2019	–	10,988	408	3,317	2,433	17,146
Depreciation charged during the year	767	3,622	130	457	1,253	6,229
Impairment provided during the year	–	396	3	238	–	637
Write-off	–	–	(30)	(73)	–	(103)
Disposals	(187)	–	–	–	(1,020)	(1,207)
Write-back on revaluation	(580)	–	–	–	–	(580)
At 31 December 2019	–	15,006	511	3,939	2,666	22,122
Net book value:						
At 31 December 2019	17,280	12,685	1,045	750	2,192	33,952

* AS at 31 December 2018, this balance represented leasehold land and buildings. Upon adoption of HKFRS 16, leasehold land of HK$91,680,000 were reclassified from property, plant and equipment to right-of-use assets.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	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
31 December 2018						
Cost or valuation:						
At 1 January 2019	108,520	12,136	609	4,170	3,572	129,007
Additions	–	12,723	125	354	2,399	15,601
Write-off	–	–	(23)	(99)	–	(122)
Surplus on revaluation	15,102	–	–	–	–	15,102
Write-back on revaluation	(3,122)	–	–	–	–	(3,122)
At 31 December 2018	120,500	24,859	711	4,425	5,971	156,466
Accumulated depreciation:						
At 1 January 2018	–	8,311	351	2,973	1,587	13,222
Depreciation charged during the year	3,122	2,677	75	420	846	7,140
Write-off	–	–	(18)	(76)	–	(94)
Write-back on revaluation	(3,122)	–	–	–	–	(3,122)
At 31 December 2018	–	10,988	408	3,317	2,433	17,146
Net book value:						
At 31 December 2018	120,500	13,871	303	1,108	3,538	139,320

At 31 December 2019, the Group's buildings held for own use with a net carrying amount of approximately HK$13,370,000 (2018: leasehold land and buildings of HK$103,000,000) were pledged to secure banking facilities granted to the Group (note 24).

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) **Valuation of buildings**

At 31 December 2019, the Group's buildings in Hong Kong were revalued based on valuations performed by AVISTA Valuation Advisory Limited, independent professionally qualified valuers, at HK$17,280,000 (2018: leasehold land and buildings of HK$120,500,000). The valuations were based on comparable market transactions and evidence and considered adjustments to reflect differences in transaction timing, location and tenure. Revaluation deficit of HK$670,000 resulting from the above revaluation was debited to the asset revaluation reserve (2018: revaluation surplus on leasehold land and buildings of HK$15,102,000 was credited to the asset revaluation reserve).

Had such buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$11,216,000 (2018: leasehold land and buildings of HK$56,514,000).

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 2019 and 2018 were estimated by using significant unobservable inputs and the fair value measurement was 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 (2018: Nil).

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

31 December 2019

	Buildings HK$'000
Carrying amount:	
At 1 January 2019	**120,500**
Effect of adoption of HKFRS 16	**(91,680)**
At 1 January 2019 (restated)	**28,820**
Disposal (note 15(g))	**(10,103)**
Deficit on revaluation	**(670)**
Depreciation charged during the year	**(767)**
At 31 December 2019	**17,280**

31 December 2018

	Land and buildings HK$'000
Carrying amount:	
At 1 January 2018	108,520
Surplus on revaluation	15,102
Depreciation charged during the year	(3,122)
At 31 December 2018	120,500

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (Continued)

(a) Valuation of buildings (Continued)

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

2019

Class of properties	Valuation technique	Significant unobservable input	Range of unobservable input
Hong Kong — Buildings — Industrial — Level 3	Market comparable method	Saleable unit rate per square foot*	**HK$1,056 to HK$1,058**

2018

Class of properties	Valuation technique	Significant unobservable input	Range of unobservable input
Hong Kong — Land and buildings — Industrial — Level 3	Market comparable method	Saleable unit rate per square foot*	HK$4,715 to HK$4,771

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

(b) Impairment assessment of property, plant and equipment

During the year, the Group's management identified the assets under certain underperforming cash-generating units ("CGUs") and estimated the recoverable amounts of these assets. Based on the value in use calculation, the carrying amounts of property, plant and equipment of one CGU were fully written down by HK$637,000 (2018: Nil) during the year and the aggregate recoverable amount of these assets was estimated by using a discount rate of 11.7% as at year end.

15. LEASES

The Group as a lessee

The Group has lease contracts of land and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 42 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 3 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options, which are further discussed below.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Land HK$'000	Buildings HK$'000	Total HK$'000
As at 1 January 2019	–	–	–
Effect of adoption of HKFRS 16	91,680	2,073	93,753
As at 1 January 2019 (restated)	91,680	2,073	93,753
Additions (note (g))	–	7,531	7,531
Disposal (note (g))	(32,310)	–	(32,310)
Surplus on revaluation	2,088	–	2,088
Depreciation charged during the year	(2,438)	(1,068)	(3,506)
As at 31 December 2019	59,020	8,536	67,556

At 31 December 2019, the Group's leasehold land held for own use with a net carrying amount of approximately HK$45,630,000 was pledged to secure banking facilities granted to the Group (note 24).

Valuation of land

At 31 December 2019, the Group's land in Hong Kong were revalued based on valuations performed by AVISTA Valuation Advisory Limited, independent professionally qualified valuers, at HK$59,020,000. The valuations were based on comparable market transactions and evidence and considered adjustments to reflect differences in transaction timing, location and tenure. Revaluation surplus of HK$2,088,000 resulting from the above revaluation was credited to the asset revaluation reserve.

Had such leasehold land been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$38,308,000.

15. LEASES (Continued)

The Group as a lessee (Continued)

(a) *Right-of-use assets* (Continued)

Valuation of land (Continued)

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 value of the Group's land as at 31 December 2019 was estimated by using significant unobservable inputs and the fair value measurement was 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.

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

31 December 2019

	Land HK$'000
Carrying amount:	
At 1 January 2019	–
Effect of adoption of HKFRS 16	91,680
At 1 January 2019 (restated)	91,680
Disposal (note (g))	(32,310)
Surplus on revaluation	2,088
Depreciation charged during the year	(2,438)
At 31 December 2019	59,020

15. LEASES (Continued)

The Group as a lessee (Continued)

(a) *Right-of-use assets* (Continued)

Valuation of land (Continued)

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

2019

Class of properties	Valuation technique	Significant unobservable input	Range of unobservable input
Hong Kong — Land — Industrial — Level 3	Market comparable method	Saleable unit rate per square foot*	**HK$3,601 to HK$3,629**

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

Impairment assessment of right-of-use assets

During the year, the Group's management identified the assets under certain underperforming CGUs and estimated the recoverable amounts of these assets. Based on the value in use calculation, no impairment loss on right-of-use assets was provided as at 31 December 2019.

15. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities HK$'000
At 1 January 2019	–
Effect of adoption of HKFRS 16	2,073
At 1 January 2019 (restated)	2,073
New leases (note (g))	9,658
Accretion of interest recognised during the year	97
Payments	(1,212)
At 31 December 2019	10,616
Analysed into:	
Current portion	2,283
Non-current portion	8,333

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 HK$'000
Interest on lease liabilities	97
Depreciation charge on right-of-use assets	3,506
Expense relating to a short-term lease (included in rental and related expenses)	520
Total amount recognised in profit or loss	4,123

(d) Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. There are no extension options expected not to be exercised and termination options expected to be exercised.

15. LEASES (Continued)

The Group as a lessee (Continued)

(e) *Variable lease payments*

The Group leased a property related to a short-term lease which contains variable lease payment terms that are based on the Group's turnover generated from a restaurant. There are also minimum monthly rental arrangements for this lease. During the year ended 31 December 2019, the amounts of the fixed and variable lease payments recognised in profit or loss for this lease were HK$454,000 and HK$66,000, respectively.

(f) The total cash outflow for leases is disclosed in note 35(c) to the financial statements.

(g) *Sale and leaseback transaction*

On 2 July 2019, the Group entered into property disposal agreements with Iao Ip Property Investment Company Limited ("Iao Ip"), a related party of the Group, to sell two properties located in Hong Kong (the "Properties") at a total consideration of HK$45,516,000. At the date of disposal, the carrying amounts of the right-of-use assets (i.e., leasehold land) and buildings were HK$32,310,000 and HK$10,103,000, respectively.

On 30 September 2019, the Group entered into tenancy agreements with Iao Ip, pursuant to which Iao Ip agreed to lease back the Properties for a term of three years from 30 September 2019 to 29 September 2022, at the monthly rents of approximately HK$87,000 and HK$56,000, respectively, with an option to renew the tenancy for an additional three years at market rent upon expiry of the initial term.

The sale and leaseback transaction was intended to mitigate the risk on the potential fall in property prices of the Group's self-owned properties and raise capital for the Group's daily operation and business development.

During the year end 31 December 2019, upon the completion of the above sale and leaseback transaction, the Group recognised right-of-use assets of HK$7,531,000, lease liabilities of HK$9,658,000 and a gain arising from sale and leaseback transaction of HK$976,000, and released the respective asset revaluation reserve of HK$40,804,000 to the accumulated losses.

16. GOODWILL

Goodwill acquired through business combinations had been allocated to the transportation services cash-generating unit ("**Transportation services CGU**") at HK$185,000 and to the 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
Carrying amount:			
At 1 January 2018, 31 December 2018 and 1 January 2019	185	2,117	2,302
Impairment provided during the year	(185)	(2,117)	(2,302)
At 31 December 2019	–	–	–

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 management's expectation for market development.

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

	2019	2018
Transportation services CGU	9.5%	10.8%
Internet sales and trading of food products CGU	11.7%–12.8%	12.1%–12.6%

The long term growth rate used to extrapolate the cash flows of the Transportation services CGU and the Internet sales and trading of food products CGU beyond the five-year period is 2.5%.

Key assumptions were used in the value in use calculation of the cash-generating units for the years ended 31 December 2019 and 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Discount rates — The discount rates used are before tax.

17. INVENTORIES

	2019 HK$'000	2018 HK$'000
Food products for trading and processing business	**5,737**	4,953

18. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables from:		
Third party customers	**16,870**	16,159
Related companies	**112**	3,747
	16,982	19,906
Impairment	**(253)**	(56)
	16,729	19,850

The Group's trading terms with its customers are mainly on credit. 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 2019, the Group had certain concentrations of credit risk that might arise from the exposure to the Group's total trade receivables as follows:

	2019	2018
Three largest customers	**66%**	62%
Largest customer	**24%**	29%

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

	2019 HK$'000	2018 HK$'000
Golden Cup Industries Limited ("**Golden Cup**")	**–**	2,415
Yau Heng Frozen Meat & Food Company Limited ("**Yau Heng**")	**103**	306
Winning Futures Limited ("**Winning Futures**")	**9**	1,026
	112	3,747

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

18. TRADE RECEIVABLES (Continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019 HK$'000	2018 HK$'000
Within 1 month	10,366	12,658
1 to 2 months	5,317	6,812
2 to 3 months	914	380
More than 3 months	132	–
	16,729	19,850

The movement in the loss allowance for impairment of trade receivables is as follows:

	2019 HK$'000	2018 HK$'000
At beginning of year	56	–
Impairment losses (note 8)	197	56
At end of year	253	56

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due		
	Current	Less than 1 month	1 to 3 months	Total
Expected credit loss rate	0.20%	4.62%	10.59%	1.49%
Gross carrying amount (HK$'000)	13,701	2,034	1,247	16,982
Expected credit losses (HK$'000)	27	94	132	253

18. TRADE RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix: (continued)

As at 31 December 2018

		Past due		
	Current	Less than 1 month	1 to 3 months	Total
Expected credit loss rate	0.06%	1.38%	–	0.28%
Gross carrying amount (HK$'000)	16,577	3,329	–	19,906
Expected credit losses (HK$'000)	10	46	–	56

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments	3,955	2,534
Deposits	1,264	616
Other receivables	480	20
	5,699	3,170
Less: Non-current portion	(1,123)	–
	4,576	3,170

Deposits and other receivables mainly represent deposits to suppliers and other receivables. The Group estimated the expected credit losses by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2019 and 2018, the Group estimated the loss rate of these balances to be minimal and no impairment in respect of these balances was made.

20. BALANCES WITH RELATED PARTIES

Particulars of the balances with related companies are disclosed as follows:

	2019 HK$'000	2018 HK$'000
Due from related companies		
Golden Cup	–	69
Yau Heng	2	24
Winning Futures	1	3
Guangzhou City Ge Yun Trading Company Limited (“**Guangzhou Ge Yun**”)	5	481
Iao Ip	–	130
	8	707
Less: Non-current portion	–	(130)
	8	577
Due to a related company		
Golden Cup	–	121

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 Iao Ip which was repayable more than twelve months from the end of the reporting period.

21. CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash and bank balances	9,199	5,668
Time deposits	56,128	16,000
	65,327	21,668

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.

22. TRADE PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables to:		
Third party suppliers	**5,303**	5,577
Related companies		
— Golden Cup	**–**	415
— Yau Heng	**27**	47
— Guangzhou Ge Yu	**281**	66
	5,611	6,105

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

	2019 HK$'000	2018 HK$'000
Within 1 month	**5,568**	6,105
1 to 2 months	**43**	–
	5,611	6,105

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.

23. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Other payables	**3,487**	187
Accrued expenses	**3,796**	3,716
Refund liabilities	**400**	509
	7,683	4,412

Included in other payables as at 31 December 2019 are an amount due to a non-controlling shareholder of HK$90,000 (2018: Nil) and a loan from a non-controlling shareholder of HK$2,250,000 (2018: Nil). These balances are unsecured, interest-free and repayable on demand.

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

24. INTEREST-BEARING BANK BORROWINGS

	2019			2018		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank overdrafts — unsecured	**10 above prime rate**	**On demand**	**68**	–	–	–
Bank loans — secured	**2.75 to 3.00 below prime rate**	**2020**	**2,404**	2.75 to 3.00 below prime rate	2019	2,337
			2,472			2,337
Non-current						
Bank loans — secured	**2.75 to 3.00 below prime rate**	**2021–2035**	**22,617**	2.75 to 3.00 below prime rate	2020–2035	25,023
			25,089			27,360

	2019 HK$'000	2018 HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**2,472**	2,337
In the second year	**2,462**	2,394
In the third and fifth years, inclusive	**7,561**	7,539
Over five years	**12,594**	15,090
	25,089	27,360

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$59,000,000 (2018: HK$103,000,000). (notes 14 and 15)

25. 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	Others HK$'000	Total HK$'000
At 1 January 2018	(43)	183	(72)	8,704	–	8,772
Deferred tax debited/(credited) to the statement of profit or loss during the year (note 11)	(195)	(91)	371	–	–	85
Deferred tax debited to asset revaluation reserve during the year	–	–	–	2,492	–	2,492
At 31 December 2018 and 1 January 2019	**(238)**	**92**	**299**	**11,196**	**–**	**11,349**
Deferred tax debited/(credited) to the statement of profit or loss during the year (note 11)	**208**	**(92)**	**75**	**–**	**(13)**	**178**
Deferred tax debited to asset revaluation reserve during the year	**–**	**–**	**–**	**234**	**–**	**234**
Deferred tax credited to asset revaluation reserve upon disposal of assets	**–**	**–**	**–**	**(6,733)**	**–**	**(6,733)**
At 31 December 2019	**(30)**	**–**	**374**	**4,697**	**(13)**	**5,028**

31 December 2019

25. DEFERRED TAX (Continued)

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

	2019 **HK$'000**	2018 HK$'000
Deferred tax liabilities recognised in the consolidated statement of financial position	**5,301**	11,737
Deferred tax assets recognised in the consolidated statement of financial position	**(273)**	(388)
	5,028	11,349

As at 31 December 2019, the Group has tax losses arising in Hong Kong of approximately HK$7,049,000 (2018: HK$3,340,000) 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$6,865,000 (2018: HK$1,903,000) 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.

26. SHARE CAPITAL

Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

	2019 **HK$'000**	2018 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
1,400,000,000 ordinary shares of HK$0.01 each	**14,000**	14,000

27. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2019 and 2018 are presented in the consolidated statement of changes in equity in the financial statements.

The 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 group reorganisation completed on 10 February 2017.

The 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.

The asset revaluation reserve comprised the changes in the values of assets arising from revaluation.

28. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2019 **HK$'000**	2018 HK$'000
Percentage of equity interest held by non-controlling interests:		
Winning Star	**40%**	40%
Profit/(loss) for the year allocated to non-controlling interests:		
Winning Star	**(1,491)**	86
Accumulated balances of non-controlling interests at the reporting dates:		
Winning Star	**1,977**	3,468

28. 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	
2019	**2019 HK$'000**	2018 HK$'000
Revenue	**10,824**	14,234
Total expense	**(14,551)**	(14,018)
Profit/(loss) for the year	**(3,727)**	216
Total comprehensive income/(expense) for the year	**(3,727)**	216
Current assets	**7,938**	8,211
Non-current assets	**–**	1,604
Current liabilities	**(1,566)**	(1,145)
Non-current liabilities	**(1,429)**	–
Net cash flows from/(used in) operating activities	**1,948**	(1,222)
Net cash flows used in investing activities	**–**	(20)
Net cash flows used in financing activities	**(722)**	–
Net increase/(decrease) in cash and cash equivalents	**1,226**	(1,242)

29. CONTINGENT LIABILITIES

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

30. COMMITMENTS

Operating lease commitments as at 31 December 2018

The Group leased a warehouse under an operating lease arrangement. The lease was negotiated for a term of 3 years. At 31 December 2018, the Group had total future minimum lease payments under a non-cancellable operating lease falling due as follows:

	2018 HK$'000
Within one year	65

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

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. Ieong Sok Ieng ("**Ms. Ieong**")	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. Ieong are beneficial shareholders of Yau Heng.
Winning Futures	Ms. Ieong, mother of Mr. Yu, is a beneficial shareholder of Winning Futures.
Iao Ip	Mr. Yu and his family members are beneficial shareholders of Iao Ip.
Guangzhou Ge Yun	The spouse of Ms. Ou Honglian ("**Ms. Ou**") and her family members are beneficial shareholders of Guangzhou Ge Yun. Ms. Ou is a director of the Company and a shareholder of Keyview Ventures.
Golden Cup	Mr. Ho Wing Nin, a director and a beneficial shareholder of Top Ocean Investment Limited, a shareholder of Keyview Ventures, is also a director and a shareholder of Golden Cup. Golden Cup is a wholly-owned subsidiary of Superstar Group Industries Limited. During the year ended 31 December 2019, Golden Cup became an independent third party of the Group.

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:

	Note	2019 HK$'000	2018 HK$'000
Golden Cup			
Sales of goods		**6,131**	14,513
Purchases of goods		**2,201**	4,383
Storage, handling, sub-contracting and sundry income		**747**	1,152
Transportation service income		**2,151**	3,533
Yau Heng^			
Sales of goods		**3,518**	4,206
Purchases of goods		**55**	103
Transportation service income		**71**	68
Guangzhou Ge Yun^			
Purchases of goods		**5,024**	5,296
Consumable expenses		**56**	80
Storage income		**–**	70
Iao Ip^			
Rental expense	(i)	**–**	645
Winning Futures^			
Sales of goods		**6,305**	5,492
Transportation service income		**134**	153

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

Note:

(i) The Group leased properties from Iao Ip as food factory and warehouse. The monthly lease payables were charged with reference to market rates. Rental deposits of HK$561,000 paid to Iao Ip were included in prepayments, deposits and other receivables as non-current portion as at 31 December 2019. Right-of-use assets of HK$8,536,000 and lease liabilities of HK$10,616,000 with respect to the leases were recognised in the consolidated statement of financial position as at 31 December 2019. During the year ended 31 December 2019, depreciation of right-of-use assets of HK$1,068,000 and finance costs on lease liabilities of HK$97,000 were charged to the consolidated statement of profit or loss.

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

31. RELATED PARTY TRANSACTIONS (Continued)

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

	2019 HK$'000	2018 HK$'000
Short term employee benefits	**6,039**	6,026
Post-employment benefits	**55**	54
Total compensation paid to key management personnel	**6,094**	6,080

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

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.

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.

32. SHARE OPTION SCHEME (Continued)

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 their discretion determine the minimum period for which the share options have to be held before the exercise of the share options.

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 quotation 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 quotation sheets 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 2019 and 2018. There were no outstanding share options under the Scheme as at 31 December 2019 and 2018.

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

	Financial assets at amortised cost	
	2019	2018
	HK$'000	HK$'000
Trade receivables	**16,729**	19,850
Financial assets included in prepayments, deposits and other receivables	**1,744**	636
Due from related parties	**8**	707
Cash and cash equivalents	**65,327**	21,668
	83,808	42,861

33. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost	
	2019	2018
	HK$'000	HK$'000
Trade payables	**5,611**	6,105
Financial liabilities included in other payables and accruals	**6,077**	1,787
Due to a related party	**–**	121
Lease liabilities	**10,616**	–
Interest-bearing bank borrowings	**25,089**	27,360
	47,393	35,373

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, lease liabilities 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 2019, 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$251,000 (2018: HK$274,000) 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	16,982	16,982
Financial assets included in prepayments, deposits and other receivables — Normal**	1,744	–	–	–	1,744
Due from related parties — Normal**	8	–	–	–	8
Cash and cash equivalents — Not yet past due	65,327	–	–	–	65,327
	67,079	–	–	16,982	84,061

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	19,906	19,906
Financial assets included in prepayments, deposits and other receivables — Normal**	636	–	–	–	636
Due from related parties — Normal**	707	–	–	–	707
Cash and cash equivalents — Not yet past due	21,668	–	–	–	21,668
	23,011	–	–	19,906	42,917

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables and amounts due from related parties are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

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.

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
2019				
Trade payables	**5,611**	**–**	**–**	**5,611**
Financial liabilities included in other payables and accruals	**6,077**	**–**	**–**	**6,077**
Lease liabilities	**2,505**	**7,484**	**1,294**	**11,283**
Interest-bearing bank borrowings	**3,023**	**11,651**	**13,806**	**28,480**
	17,216	**19,135**	**15,100**	**51,451**
2018				
Trade payables	6,105	–	–	6,105
Financial liabilities included in other payables and accruals	1,787	–	–	1,787
Due to a related party	121	–	–	121
Interest-bearing bank borrowings	2,973	11,892	16,686	31,551
	10,986	11,892	16,686	39,564

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 2019 and 2018.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$7,531,000 and HK$9,658,000, respectively, in respect of lease arrangements for buildings (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Loan from a non-controlling shareholder HK$'000	Interest-bearing bank borrowing HK$'000	Lease liabilities HK$'000
At 1 January 2018	–	24,256	–
Changes from financing cash flows	–	3,104	–
At 31 December 2018	–	27,360	–
At 1 January 2019	**–**	**27,360**	**–**
Effect of adoption of HKFRS 16	**–**	**–**	**2,073**
At 1 January 2019	**–**	**27,360**	**2,073**
Changes from financing cash flows	**2,250**	**(2,339)**	**(1,115)**
New leases	**–**	**–**	**9,658**
Interest expense	**–**	**–**	**97**
Interest paid classified as operating cash flows	**–**	**–**	**(97)**
At 31 December 2019	**2,250**	**25,021**	**10,616**

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2019 HK$'000
Within operating activities	97
Within financing activities	1,115
	1,212

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:

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	–	–
CURRENT ASSETS		
Prepayments	304	316
Due from subsidiaries	119,793	120,301
Cash and cash equivalents	–	743
Total current assets	120,097	121,360
CURRENT LIABILITIES		
Accruals	174	722
Due to a subsidiary	1,401	1,222
Bank overdrafts	68	–
Total current liabilities	1,643	1,944
NET CURRENT ASSETS	118,454	119,416
Net assets	118,454	119,416
EQUITY		
Share capital	14,000	14,000
Reserves (note)	104,454	105,416
Total equity	118,454	119,416

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 losses HK$'000	Total HK$'000
At 1 January 2018	103,491	5,100	(2,361)	106,230
Loss and total comprehensive expense for the year	–	–	(814)	(814)
At 31 December 2018 and 1 January 2019	103,491	5,100	(3,175)	105,416
Loss and total comprehensive expense for the year	–	–	(962)	(962)
At 31 December 2019	103,491	5,100	(4,137)	104,454

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2020.

FINANCIAL SUMMARY

	For the year ended 31 December			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**134,741**	136,218	132,934	133,578
Profit/(loss) before taxation	**(9,153)**	4,736	(6,333)	6,688
Taxation	**(188)**	(1,167)	(1,490)	(1,985)
Profit/(loss) for the year	**(9,341)**	3,569	(7,823)	4,703
Attributable to:				
Owners of the Company	**(7,602)**	3,555	(7,534)	4,633
Non-controlling interests	**(1,739)**	14	(289)	70
	(9,341)	3,569	(7,823)	4,703

	At 31 December			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities				
Total assets	**196,230**	193,154	170,711	113,296
Total liabilities	**(54,522)**	(50,022)	(43,758)	(43,933)
	141,708	143,132	126,953	69,363
Equity contributable to:				
Owners of the Company	**139,477**	139,162	122,997	65,118
Non-controlling interests	**2,231**	3,970	3,956	4,245
	141,708	143,132	126,953	69,363