WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 0660)

ANNUAL REPORT 2017

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Lam Ching Kui *(Chairman and Chief Executive Officer)*

Independent Non-Executive Directors

Chan Chun Wai, Tony
Hau Pak Man
To Yan Ming, Edmond

AUTHORISED REPRESENTATIVES

Lam Ching Kui
Tong Chi Cheong

COMPANY SECRETARY

Tong Chi Cheong

AUDIT COMMITTEE

Chan Chun Wai, Tony *(Chairman)*
Hau Pak Man
To Yan Ming, Edmond

REMUNERATION COMMITTEE

Hau Pak Man *(Chairman)*
Lam Ching Kui
Chan Chun Wai, Tony

NOMINATION COMMITTEE

Lam Ching Kui *(Chairman)*
Chan Chun Wai, Tony
Hau Pak Man

REGISTERED OFFICE

Floor 4
Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13/F, Admiralty Centre 2
18 Harcourt Road
Admiralty
Hong Kong

AUDITOR

HLM CPA Limited
Certified Public Accountants
Room 305
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

SHARE REGISTRAR IN HONG KONG

Union Registrars Limited
Room 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

STOCK CODE

Hong Kong Stock Exchange: 0660

COMPANY WEBSITE

http://www.0660.hk

On behalf of the board of Directors (the "Board") of Wai Chun Mining Industry Group Company Limited (the "Company"). I would like to present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

FINANCIAL REVIEW

Financial Performance

For the year ended 31 December 2017, the Group recorded a revenue of approximately HK$512,133,000 from operations (2016: approximately HK$464,807,000), representing an increase of approximately 10.2% as compared to that of 2016. The Group recorded a gross profit and gross profit margin of approximately HK$12,930,000 (2016: approximately HK$12,156,000) and 2.5% (2016: 2.6%) respectively, representing increase of approximately 6.4% and decrease of 0.1% respectively as compared to 2016.

Administrative expenses decreased by 56.3% from approximately HK$43,502,000 in 2016 to approximately HK$19,009,000 in current year. Such decrease is mainly due to share-based payment expenses of approximately HK$23,228,000 recognised for the 699,639,467 share options granted under the Company's share option scheme on 12 January 2016. Selling expenses recorded an increase of 21.4% from approximately HK$5,778,000 in 2016 to approximately HK$7,013,000 in current year.

Loss attributable to owners of the Company for the year amounted to approximately HK$17,399,000 (2016: approximately HK$39,169,000). The decrease in the loss was mainly due to (i) the share based payment expenses of approximately HK$23,228,000 in 2016; (ii) an increase in profit margin of the modified starch and other biochemical products business and (iii) a tight control in administrative expenses.

Modified starch and other biochemical products business

As a result of increase in market demand and selling prices in the PRC during the year, the performance of the modified starch and other biochemical products business have improved when compared to that of 2016, which contributed approximately HK$476,290,000 (2016: approximately HK$429,254,000) and approximately HK$4,666,000 (2016: approximately HK$4,743,000) to the Group's turnover and segmental loss respectively, representing an increase of approximately 11.0% in turnover and a narrowing of approximately 1.6% in segmental loss when compared to that of 2016.

General trading business

The general trading business recorded a revenue of approximately HK$35,843,000 (2016: approximately HK$35,553,000) and a segmental profit of approximately HK$185,000 in 2017 (2016: a segmental loss of approximately HK$6,003,000) respectively.

Financial Resources and Position

As at 31 December 2017, the Group had net current liabilities of approximately HK$81,664,000 (2016: approximately HK$63,001,000) and cash and cash equivalents of approximately HK$5,822,000 (2016: approximately HK$6,464,000). The Group's cash and cash equivalents are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. As at 31 December 2017, the current ratio of the Group was approximately 0.47 times (2016: approximately 0.57 times).

Total debts of the Group amounted to approximately HK$94,885,000 (2016: approximately HK$85,464,000), comprising borrowings of approximately HK$59,928,000 (2016: approximately HK$55,854,000), loans from the ultimate holding company of approximately HK$25,054,000 (2016: approximately HK$15,049,000) and amounts due to a non-controlling shareholder of a subsidiary of approximately HK$9,903,000 (2016: approximately HK$14,561,000). All the above-mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. All of these borrowings are interest bearing at prevailing market interest rates. The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 60.4% (2016: approximately 53.4%), representing an increase of approximately 13.1% as compared to 2016.

The Group had future minimum lease payments under a non-cancellable operating lease in respect of rented premises amounting to approximately HK$584,000 (2016: approximately HK$2,657,000). On the basis of the undrawn loan facilities of approximately HK$105,946,000, granted by its ultimate holding company, Oriental Success Ventures Ltd ("Oriental Success"), which will be provided on a subordinated basis, the Directors believe that the Group has sufficient financial resources for its operations. The Directors will remain cautious in the Group's liquidity management.

Foreign Currency Fluctuation

For the year ended 31 December 2017, the Group conducted its business transactions principally in Renminbi and US dollars. The Group has not experienced any material difficulties or negative impact on its operations as a result of fluctuations in currency exchange rates. Accordingly, the Directors considered that the foreign exchange exposure is relatively limited and no hedging of exchange risk is required. As an internal policy, the Group continues to implement a prudent policy on financial management policy and does not participate in any high risk speculative activities. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measures when needed.

Pledge of Assets and Contingent Liabilities

As at 31 December 2017, the Group had not provided any financial guarantee and did not have any material contingent liabilities. As at 31 December 2017, the Group's prepaid land lease payments with carrying amount of approximately HK$17,138,000 (2016: approximately HK$18,554,000) were pledged to secure the bank borrowings. As at 31 December 2017, no bank deposits (2016: Nil) have been pledged to secure the bank loans and banking facilities granted to the Group.

Dividend

The Board has resolved not to recommend the payment of final dividend for the year ended 31 December 2017.

BUSINESS REVIEW AND OUTLOOK

During the year under review, the Group continued to engage in the manufacture and sale of modified starch and other biochemical products and general trading.

The business of manufacture and sales of modified starch, and other biochemical products recorded segment loss of approximately HK$4,666,000 (2016: approximately HK$4,743,000). Such a decrease in loss was a result of increase in market demand and selling prices in the PRC during the year. The business of general trading recorded segment profit of approximately HK$185,000 during the year (2016: a segmental loss of approximately HK$6,003,000). The footwear business was downsizing significantly in this year and the segment result was included in the general trading.

During the year under review, the Company has enlarged the capital base by conversion of convertible preference shares and actively identified projects with growth potential for acquisition or investment by entering into a conditional sales and purchase agreement for a proposed acquisition.

The proposed acquisition of Oceanic Chief Ltd. announced in May 2016 was subsequently terminated in May 2017 due to unachieved profit targets for the target period by Oceanic Chief Ltd.

On 24 September 2017, Shenzhen Wai Jun Da Ye Trading Company Limited * (深圳瑋俊達業貿易有限公司), an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with Hebei Han Wei Biotech Pharmaceutical Company Limited * (河北漢唯生物製藥有限公司) and its original shareholders for an investment cooperation amounting to RMB20,000,000 (equivalent to approximately HK$23,600,000). The framework agreement was subsequently lapsed.

The Group will continue to pursue strategic acquisitions that can enable the Company to capture new business opportunities in the PRC market and to strengthen the revenue and profit fundamentals. The Company has been actively identifying projects with growth potential for acquisitions or investments and has been in discussions with various parties for such acquisitions or investments.

In order to ensure the Group's financial ability to operate as a going concern, the Directors of the Company have been implementing various measures including the provision of loan facilities by the ultimate holding company, conducting negotiation with potential investors to raise sufficient funds; and will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

OTHER INFORMATION

Material Acquisition and Disposal of Subsidiaries

There was no material acquisition and disposal of subsidiaries for the year ended 31 December 2017.

Lam Ching Kui
Chairman

Hong Kong, 29 March 2018

Biographical Details of Directors

EXECUTIVE DIRECTOR

Mr. Lam Ching Kui ("Mr. Lam"), aged 59, has over 26 years of experience in project investments and securities investments. Mr. Lam has been engaged in industrial and residential property development in the PRC and commercial property investment in Hong Kong. He has made investments in listed securities and renewable energy. Mr. Lam is an indirect substantial shareholder of the Company and has been the Chairman and an Executive Director of the Company since December 2007. Mr. Lam is responsible for the overall strategic planning of the Group. Mr. Lam is also the chairman and an executive director of Wai Chun Group Holdings Limited ("Wai Chun Group"), a public listed company in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tony Chan Chun Wai ("Mr. Chan"), aged 46, is a Certified Public Accountant (Practicing) of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He is a director in a CPA practice. He has extensive experience in audit assurance and business advisory services with clients operating in a variety of industries in both Hong Kong and the PRC. Moreover, Mr. Chan also has extensive experience in public listings in Hong Kong and Singapore, mergers and acquisition as well as corporate finance. Before commencing his own practice, Mr. Chan has worked in major international accounting firms and a listed company. Mr. Chan is an independent non-executive director of Hans Energy Company Limited and Honbridge Holdings Limited, whose shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Chan has been an Independent Non-executive Director of the Company since May 2007.

Mr. Hau Pak Man ("Mr. Hau"), aged 74, a Hong Kong permanent resident, graduated from Beijing University of Technology in 1966 and obtained a Bachelor degree in Electrical Engineering. He has extensive working experiences in electrical engineering and information technology. Mr. Hau is currently a member of the National Committee of the Chinese Peoples Political Consultative Conference, a member of the Committee for Liaise with Hong Kong, Macao, Taiwan and Overseas Chinese and a member of Selection Meeting for Representatives of the Hong Kong Special Administrative Region of The Thirteenth National People's Congress of the People's Republic of China (中華人民共和國香港特別行政區第十三屆全國人民代表大會代表選舉會議成員). Mr. Hau has been an Independent Non-executive Director of the Company since November 2012.

Mr. To Yan Ming, Edmond ("Mr. To"), aged 46, holds a bachelor degree in Commerce in Accounting from Curtin University of Technology in Western Australia. He is a Certified Public Accountant practicing in Hong Kong and a director of Edmond To CPA Limited, Asian Alliance (HK) CPA Limited (formerly known as Zhonglei (HK) CPA Company Limited) and R.C.W. (HK) CPA Limited. He was formerly a director of Fortitude CPA Limited. He is a member of both the CPA Australia and Hong Kong Institute of Certified Public Accountants. He worked for one of the international accounting firms, Deloitte Touche Tohmatsu and has extensive experience in auditing, accounting, floatation and taxation matters.

Mr. To was previously an independent non-executive director of China Household Holdings Limited and Theme International Holdings Limited, companies listed on the Main Board of the Stock Exchange. He is currently an independent non-executive director of Courage Investment Group Limited (previously known as Courage Marine Group Limited), Birmingham Sports Holdings Limited (formerly known as Birmingham International Holdings Limited), EPI (Holdings) Limited, SH Group (Holdings) Limited, Tianli Holdings Group Limited and Wai Chun Group Holdings Limited, companies listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of China Vanguard You Champion Holdings Limited (formerly known as China Vanguard Group Limited) and Asia Grocery Distribution Limited, companies listed on the GEM Board of the Stock Exchange. He has been an Independent Non-executive Director of the Company since August 2013.

The Directors of the Company submit their report together with the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding and the principal activities of its subsidiaries are set out in note 41 to the consolidated financial statements.

Discussions and reviews of the Group's business and possible risks and uncertainties that the Group may be facing are contained in the Chairman's Statement as set out on pages 3 to 5 of this annual report. The financial risk management objectives and policies of the Group are shown in note 7(b) to the financial statements of this annual report. These discussions form part of this report of the Directors.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 41 to 105.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in notes 30 and 31 to the consolidated financial statements.

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 set out on page 45 and note 40 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company did not have any reserves available for distribution to its shareholders (2015: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 December 2017 is set out on page 106 of this annual report.

Report of the Directors

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Director

Mr. Lam Ching Kui *(Chairman and Chief Executive Officer)*

Independent Non-executive Directors

Mr. Chan Chun Wai, Tony
Mr. Hau Pak Man
Mr. To Yan Ming, Edmond

The biographical details of the Directors of the Company are set out on page 6 of this annual report.

In accordance with Article 99 of the Articles of Association of the Company, Mr. Lam Ching Kui and Mr. Chan Chun Wai Tony, shall retire from office by rotation at the forthcoming Annual General Meeting of the Company ("AGM") and, being eligible, offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company, based on such confirmations, considers all the Independent Non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for a term of not more than three years commencing from their date of appointment, which continues thereafter until terminated by either party giving not less than one month notice in writing to the other party.

Each of the Independent Non-executive Directors has entered into a service agreement with the Company for a term of two years from their date of appointment, which can be terminated by either party giving not less than one month notice in writing to the other party. Each of the Independent Non-executive Directors is subject to the provisions for retirement by rotation and re-election at the AGM in accordance with the Company's Articles of Association.

No Director proposed for re-election at the forthcoming AGM has service agreement with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of emoluments of the Directors are set out in note 14 to the consolidated financial statements.

The Directors' fees are subject to shareholders' approval at the AGM. Other emoluments are determined by the Company's Board of Directors with reference to the recommendations from the Remuneration Committee taking into account the Directors' duties, responsibilities and performance and the results of the Group.

PERMITTED INDEMNITY

Pursuant to the Articles of Association of the Company, every Director shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur or about the execution and discharge of his duties or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed below in the section headed "Connected Transactions" and in note 35 to the consolidated financial statements, there are no transactions, arrangements and contracts of significance to which the Company's holding company, subsidiaries or fellow subsidiaries was a party and in which a Director or a connected entity of 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.

COMPETING BUSINESS

None of the Directors had any interests in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, during the year and up to the date of this report.

INTERESTS OF CONTROLLING SHAREHOLDER IN CONTRACTS

Save as disclosed below in the section headed "Connected Transactions" and in notes 29, 31 and 35 to the consolidated financial statements, there was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in paragraph 16 of Appendix 16 to the Listing Rules) or any of its subsidiaries, at any time during the year.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, the interests and short positions of the Directors and chief executive 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 ("SFO")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

Long Positions

		Ordinary shares of HK$0.0025 each		
Name of Shareholder	Capacity	Long position/ Short position	Number of shares/ underlying share held	Approximate percentage of issued share capital
Mr. Lam Ching Kui	Interests of controlled corporations	Long Position	8,115,024,320 (Note)	48.91%

Note: Mr. Lam Ching Kui is the beneficial owner of Oriental Success Ventures Limited which is deemed to be interested in 7,898,064,320 shares and 216,960,000 convertible preference shares of the Company held by Chinese Success Limited, a wholly owned subsidiary of Oriental Success Ventures Limited.

Other than disclosed above, as at 31 December 2017, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed below in the section headed "Connected Transactions", at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long Positions

		Ordinary shares of HK$0.0025 each	
Name of Shareholder	Capacity	Number of shares/ underlying share held	Approximate percentage of issued share capital
Oriental Success Ventures Limited	Interests of controlled corporations (Note 1)	8,115,024,320	48.91%
Chinese Success Limited (Note 1)	Beneficial owner	8,115,024,320	48.91%
Onward Global Investments Limited (Note 2)	Beneficial owner	1,286,350,000	7.75%
Wan Yuzhen (Note 2)	Interests of controlled corporations	1,286,350,000	7.75%
Spring Garden Investments Limited (Note 3)	Beneficial owner	1,286,400,000	7.75%
Zhong Liyan (Note 3)	Interests of controlled corporations	1,286,400,000	7.75%

Notes:

(1) Chinese Success Limited, which is wholly owned by Oriental Success Ventures Limited, holds (i) 7,898,064,320 shares of the Company and (ii) 216,960,000 convertible preference shares of the Company, which is convertible to 216,960,000 shares of the Company. Mr. Lam Ching Kui, the Chairman and Executive Director of the Company, is the beneficial owner of the entire issued share capital of Oriental Success Ventures Limited. Mr. Lam Ching Kui is the director of Chinese Success Limited and Oriental Success Ventures Limited.

(2) These 1,286,350,000 shares of the Company were held by Onward Global Investments Limited which is wholly-owned by Wan Yuzhen. For the purpose of SFO, Wan Yuzhen is deemed to be interested in these 1,286,350,000 shares held by Onward Global Investments Limited.

(3) These 1,286,400,000 shares of the Company were held by Spring Garden Investments Limited which is wholly-owned by Zhong Liyan. For the purpose of SFO, Zhong Liyan is deemed to be interested in these 1,286,400,000 shares held by Spring Garden Investments Limited.

Save for the shareholders as disclosed herein, the Directors and the chief executive of the Company are not aware of any persons who, as at 31 December 2017, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

SHORT POSITIONS IN SHARES AND UNDERLYING SHARES IN THE COMPANY

As at 31 December 2017, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

OTHER PERSONS

As at 31 December 2017, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executives and the substantial shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

EQUITY-LINKED AGREEMENT

Convertible Preferences Shares

On 6 December 2017, 320,000,000 ordinary shares of the Company were issued and allotted upon conversion of 320,000,000 convertible preference shares of the Company.

Details of the convertible preference shares are set out in note 31 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme was adopted by the Company on 22 July 2015 ("Share Option Scheme") in view of the lapse of old share option scheme adopted by the Company on 10 June 2003. Particulars of the Share Option Scheme and detail of share options granted under the Share Option Scheme during the financial year are set out in note 36 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEME

Particulars of the retirement benefits scheme of the Group are set out in note 32 to the consolidated financial statements.

MANAGEMENT CONTRACTS

During the year under review, no management and administrative contracts regarding the entire or any major businesses of the Company have been entered into or have existed.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All directors have confirmed, following specific enquiries by the Company that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

CONNECTED TRANSACTIONS

Continuing Connected Transaction

A tenancy agreement was entered into between Wai Chun Holdings Group Limited as landlord and Wai Chun Incorporation Limited, a wholly-owned subsidiary of the Company, as tenant on 23 October 2013 in relation to the left portion of 13/F, Admiralty Centre, Tower II, 18 Harcourt Road, Hong Kong, the principal place of business in Hong Kong for a term of two years commencing from 1 November 2015 to 31 October 2017, both days inclusive, with a rental of HK$265,675 per calendar month (equivalent to HK$3,188,100 per annum), exclusive of management fee, rates, government rent, utilities charges and all other outgoing charges per calendar month.

The tenancy agreement expired on 31 October 2017 and was renewed for another term of two years starting from 1 November 2017 to 31 October 2019 both days inclusive, with a rental of HK$292,242 per calendar month (equivalent to HK$3,506,904 per annum), exclusive of management fee, rates, government rent, utilities charges and all other outgoing charges per calendar month.

Wai Chun Holdings Group Limited is owned as to 50% by Mr. Lam Ching Kui and as to the remaining 50% by Ms. Chan Oi Mo. Mr. Lam Ching Kui is a controlling shareholder of the Company and is interested in approximately 47.60% of the issued share capital of the Company and Ms. Chan Oi Mo is the spouse of Mr. Lam Ching Kui. Accordingly, Wai Chun Holdings Group Limited is regarded as a connected person of the Company under the Listing Rules. Therefore, the tenancy agreement constitutes a continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules.

The aggregate rental payable under the tenancy agreement per annum, being HK$3,188,100, represents less than 5% of the applicable percentage ratios (as defined in the Listing Rules) for the Company on an annual basis. Accordingly, pursuant to Rule 14A.34 of the Listing Rules, the tenancy agreement is subject to reporting, announcement and annual review requirements but no approval of independent shareholders of the Company is required.

Annual Review

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed the above continuing connected transaction and in their opinion, the transaction was made:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreement governing it on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 13 of the Annual Report in accordance with Main Board Listing Rule 14A.56 stating that none of the following has come to his attention:

(1) that the Transactions have not been approved by the Board of the Company;

(2) that the Transactions were not entered into, in all material aspects, in accordance with the relevant agreements governing such Transactions; and

(3) that the amounts of the Transactions have exceeded the annual caps announced by the Company.

A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Compliance with Disclosure Requirements

Save as above disclosed in the "Connected Transactions" section and "Rental expenses" in the amount of HK$3,241,000 for the year as shown in note 35 – "Related party transactions" to the consolidated financial statements which constituted connected transactions of the Company under Chapter 14A of the Listing Rules, all other transactions as shown in note 35 are connected transactions exempted from announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above connected transactions.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for approximately 60% of total turnover and sales to the largest customer accounted for approximately 24%. The five largest suppliers of the Group in aggregate accounted for about 70% of its operating costs for the year. Purchases from the largest supplier accounted for about 56% of its operating costs. None of the Directors, their associates, or any shareholder (who to the knowledge of the Directors owned more than 5% of the Company's share capital) had any interest in the Group's five largest customers or suppliers.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of Company Securities.

EMOLUMENT POLICY

As at 31 December 2017, the Group had a total of 126 employees, the majority of whom are situated in the PRC. In addition to offer competitive remuneration packages to employees, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The Group also encourages its employees to pursue a balanced life and provides a good working environment for its employees to maximise their potential and contribution to the Group.

The remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his associates, and executive, is involved in dealing his own remuneration.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Details of the environmental, social and governance of the Group are set out in the section headed "Environmental, Social and Governance Report" in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board considers compliance with laws and regulations an important element in the business operation of the Group. The Group's major production facilities and over half of its sales are located in China and compliance with domestic laws and regulations in China is particularly important. The Group has specific personnel to handle and update compliance works in China and they also have the assistance from external legal advisors. The Board considers that the Group's compliance with laws and regulations in China is well monitored.

RELATIONSHIPS WITH STAKEHOLDERS

The Group provides a harmonious and professional working environment to employees and ensures they all are reasonable remunerated. The Company regular reviews and updates its policies on remuneration and benefits, training, occupational health and safety.

The Group also recognises that it is important to maintain good relationship with business partners to achieve its long- term goals. During the year, there was no material and significant dispute between the Group and its business partners.

CORPORATE GOVERNANCE

Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 were audited by HLM CPA Limited who will retire and seek for re-election at the forthcoming AGM.

On behalf of the Board

Lam Ching Kui
Chairman

Hong Kong, 29 March 2018

The Directors and other members of the management team of the Company are dedicated to maintain high standards of corporate governance. They will continue to exercise leadership, enterprise, integrity and judgement so as to achieve continuing prosperity and to act in the best interests of the Company and its shareholders in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the cores of the Company's corporate governance practices.

The Company continues to devote efforts on promoting good corporate governance so as to ensure its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholders' value.

CORPORATE GOVERNANCE

The Company has adopted the code provisions in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules as its own code on corporate governance practices. The Company has taken various measures to cope with the latest development in the corporate governance regime.

The Company complied with the code provisions as set out in the Code throughout the year ended 31 December 2017 except that under code provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer. Mr. Lam Ching Kui is the chairman and chief executive officer of the Company. He has extensive experience in project management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The balance of power and authorities is ensured by the operation of the Board which comprised of experienced and high caliber individuals with sufficient number thereof being independent non-executive directors.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this annual report, the composition of the Board is set out as follows:

Executive Director

Mr. Lam Ching Kui *(Chairman and Chief Executive Officer)*

Independent Non-executive Directors

Mr. Chan Chun Wai, Tony
Mr. Hau Pak Man
Mr. To Yan Ming, Edmond

Responsibilities

The Board has a balance of skill and experience and a balanced composition of Executive and Non-executive Directors and is responsible for oversight of the management of the Company's business and affairs. The Board has delegated the day-to-day responsibility to the Executive Director(s) and senior management of the Company.

The Board, led by the Chairman and the Chief Executive Officer, is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The Chairman and Chief Executive Officer seeks to ensure that all Directors are properly briefed on issues brought up at Board meetings and receive adequate and reliable information in relation to matters discussed at Board meetings and also other affairs of the Group on a timely basis.

The Chairman and Chief Executive Officer is responsible for day-to-day management of the Company's operations, financial management and the effective implementation of the overall strategies and initiatives adopted by the Board.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

During the year ended 31 December 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of the Board, senior management and shareholders;
- consideration of misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to meet their obligations, an appropriate organisational structure is in place with clearly defined responsibilities and limits of authority.

Appointment, Re-election and Removal of Directors

The appointment of all the Directors, including Independent Non-executive Directors, is for a specific term of not more than three years from date of appointment. The Company's Articles of Association provides for the retirement of Directors by rotation and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting following the appointment.

The procedures and process of appointment, re-election and removal of directors are set out in the Company's Articles of Association. The Board is responsible for the reviewing its composition, monitoring the appointment of directors and assessing the independence of the Independent Non-executive Directors.

Board Meetings

During the year ended 31 December 2017, the Board held four regular board meetings. In addition, board meetings are convened when necessary to deal with everyday matters that require the Board's prompt decision, and are usually attended by Executive Directors only. The Directors attended the meetings in person or through electronic means of communication. The attendance of each Director is set out as follows:

Name of Directors	Number of meetings attended/held
Mr. Lam Ching Kui	4/4
Mr. Chan Chun Wai, Tony	4/4
Mr. Hau Pak Man	4/4
Mr. To Yan Ming, Edmond	4/4

General Meetings

During the year ended 31 December 2017, the annual general meeting of the Company was held on 13 June 2017. The attendance of each Director is set out as follows:

Name of Directors	Number of meetings attended/held
Mr. Lam Ching Kui	1/1
Mr. Chan Chun Wai, Tony	1/1
Mr. Hau Pak Man	1/1
Mr. To Yan Ming, Edmond	1/1

Board Process

Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management for information and making enquires if necessary. In addition, Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company Secretary and are opened for inspections by any Director during normal office hours by giving reasonable advance notice.

If a substantial shareholder or a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

Directors' Training

According to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in training relating to the Listing Rules and corporate governance matters or attending seminars relating to their role as a director of listed issuer. Each of the Directors has provided a record of training they received for the year ended 31 December 2017 to the Company.

Chairman and Chief Executive Officer

Mr. Lam Ching Kui, the Chairman of the Company, was also appointed as the Chief Executive Officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being Independent Non-executive Directors.

Independent Non-executive Directors

The three Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting or electrical engineering. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules.

All Independent Non-executive Directors have been appointed for a term of two years from their date of appointment. Each of the Independent Non-executive Directors is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Company's Articles of Association.

BOARD COMMITTEES

The Company has set up three committees of the Board, including the Remuneration Committee, Audit Committee and Nomination Committee of the Company, with specific terms of reference relating to their authority and duties, which strengthen the Board's functions and enhance its expertise.

Remuneration Committee

The Remuneration Committee comprises one Executive Director and two Independent Non-executive Directors. Mr. Hau Pak Man is the Chairman of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. The Company's emolument policy is to ensure that the remuneration offered to employees including Executive Directors and senior management is based on the skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages are also determined by reference to the Company's performance and profitability, remuneration level in the industry and the prevailing market conditions. The emolument policy for Independent Non-executive Directors, mainly comprising Directors' fees, is subject to annual assessment with reference to the market standard. Individual Director and senior management would not be involved in deciding their own remuneration.

The model of remuneration committee described in code provision B.1.2(c)(ii) of the CG Code has been adopted by the Remuneration Committee.

During the year ended 31 December 2017, the Remuneration Committee held one meeting, with attendance record as follows:

Name of Directors	Number of meetings attended/held
Mr. Hau Pak Man *(Chairman)*	1/1
Mr. Lam Ching Kui	1/1
Mr. Chan Chun Wai, Tony	1/1

During the year under review, the Remuneration Committee reviewed matters relating to remuneration packages of Directors and senior management.

Audit Committee

The Company has an audit committee (the "Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. A meeting of the Audit Committee was held to review the Group's audited consolidated financial statements for the year ended 31 December 2017, in conjunction with the Group's external auditor, HLM CPA Limited.

During the year ended 31 December 2017, the Audit Committee held two meetings, with attendance record as follows:

Name of Directors	Number of meetings attended/held
Mr. Chan Chun Wai, Tony *(Chairman)*	2/2
Mr. Hau Pak Man	2/2
Mr. To Yan Ming, Edmond	2/2

At the meetings, the Audit Committee reviewed the audited financial statements for the year ended 31 December 2017 and the interim report for the six months ended 30 June 2017 respectively. The Audit Committee has also reviewed the Group accounting principles and practices, Listing Rules and statutory compliance and financial reporting matters. The Audit Committee is satisfied with their review of the independence of the auditor and their audit process for the year ended 31 December 2017.

The Group's results and consolidated financial statements for the year ended 31 December 2017 have been reviewed by the Audit Committee.

Nomination Committee

The Nomination Committee comprises one Executive Director and two Independent Non-executive Directors. Mr. Lam Ching Kui is the Chairman of the Nomination Committee.

The primary function of the Nomination Committee is to make recommendations to the Board on new appointment and re-appointment of directors and senior management. New directors are sought mainly through referrals and internal promotions. In evaluating whether an appointee is suitable to act as a Director, the Board will consider his/her qualifications, experience, expertise and knowledge with reference to the Diversity Policy adopted by the Board during the year and the requirements under the Listing Rules.

During the year ended 31 December 2017, the Nomination Committee held one meeting, with attendance record as follows:

Name of Directors	Number of meetings attended/held
Mr. Lam Ching Kui *(Chairman)*	1/1
Mr. Hau Pak Man	1/1
Mr. Chan Chun Wai, Tony	1/1

Corporate Governance Functions

The Company's corporate governance functions are carried out by the Board in compliance with the CG Code.

The corporate governance functions currently performed by the Board are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the year ended 31 December 2017, the Board has reviewed the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management as well as the Company's compliance with the CG Code.

COMPANY SECRETARY

During the period from 16 November 2016 to 5 March 2017, the company secretary of the Company was vacant subject to the Company's selection process. Ms. Chu Kwan Yau Janice was appointed as the company secretary of the Company on 6 March 2017 to support the board by ensuring good information flow within the board and the board policy and procedures are followed, advising the board on governance matters, facilitating induction and professional development of directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiries to all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year.

EXTERNAL AUDITOR AND ITS REMUNERATION

HLM CPA Limited, the external auditor of the Company, shall retire and, being eligible, offer themselves for re- appointment. A resolution for the re-appointment of HLM CPA Limited as auditor of the Company is to be proposed at the forthcoming AGM.

HLM CPA Limited provided services in respect of the audit of Company's consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2017. HLM CPA Limited also reviewed the 2017 unaudited interim financial information of the Company, which was prepared in accordance with HKFRSs.

The total fees charged by HLM CPA Limited in respect of audit services for the year ended 31 December 2017 amounted to HK$500,000.

Description of non-audit services performed by HLM CPA Limited	**Fee Paid** *HK$*
Interim review of financial statements of the Company and its subsidiaries for the six months ended 30 June 2017	128,000

DIRECTORS' RESPONSIBILITY IN PREPARING CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge that their responsibilities for preparing the consolidated financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company regarding their reporting responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report on pages 34 to 40 of this annual report.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The objective is to cover all important controls, including financial, operational, compliance, and risk management functions to endure they are in place and functioning effectively for the Group.

The successful management of risk is essential for the long term growth and sustainability of the Group's business. These can only be achievable if certain risks are managed effectively. Effective risk management and strong internal controls are integral to the Group's business model and are reflected in the risk management policy adopted within the business.

Policy

The Group's risk management policy includes the following elements:

- Identification of significant risks in the Group's operation environment and evaluate the impacts of those;
- Develop necessary measure to manage those risks;
- Risk and mitigate measures with risk ownership will be documented in a risk register; and
- Risk register will be monitored and reviewed the effectiveness of such measures regularly.

The Board has delegated the Audit Committee to perform its responsibilities of risk management and internal control systems by performing the following:

- Oversees the Group's risk management and internal control systems on an ongoing basis;
- Reviews the effectiveness of the Group's risk management and internal control systems annually, and such review should cover all material controls including financial, operational and compliance control;
- Considers major findings on risk management and internal control matters, implementation of the mitigation activities by the management team, and reports and makes recommendations to the Board

Internal Audit

The Group's internal audit function is performed by an outsourced internal audit team, which reports directly to the Audit Committee of the Group.

The report provided internal audit findings and any action to be taken by management as a result. These findings and recommendations for improvement will be communicated to the respective management for their responses and corrective actions. The Group's management team monitors the implementation of its recommendations reports the outcome to the Audit Committee.

The Board considers the Group internal control system and risk management is adequate and effective for the financial year.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting.

Shareholders to convene an extraordinary general meeting

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles of Association and the Companies Law of Cayman Islands. The procedures that shareholders can use to convene an extraordinary general meeting are set out in Article 57 of the Company's Articles of Association.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meeting

There are no provisions allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

CONSTITUTIONAL DOCUMENTS

During the year, there was no significant change in the Company's Memorandum and Articles of Association.

This Environmental, Social and Governance Report ("ESG Report") is compiled in accordance with the guidelines laid down in Appendix 27 Environmental, Social and Governance Reporting Guide (the "Reporting Guide") of the Listing Rules.

Wai Chun Mining Industry Group Company Limited (the "Group") has 2 business operations. The main business remains to be manufacturing and sale of modified starch and other biochemical refined oil products which accounted for 93% of the Group's total turnover in the year ended 31 December 2017. The general trading of electronic component parts, electrical appliances and various types of shoes accounted for the remaining turnover.

As of 31 December 2017, the Group has one factory in Shandong (the "Factory") producing modified starch and other biochemical refined oil products. The Factory is considered to be of materiality according to the Reporting Guide for the purpose of ESG reporting. The scope of this ESG Report mainly includes data and activities of the Factory and the management headquarter in Hong Kong for the year ended 31 December 2017, referred to herein as the "reporting period". Key ESG policies in this ESG Report are on the whole same as last reported with some minor modifications to cope with essential changes.

Key ESG Policies are summarized below:

1. The Group is committed to be a successful operator in our business operations, bringing returns to our investors and supporters, giving a healthy and safe working environment to our employees, and helping to provide sustainable development for the local communities and the Group.

2. The Board has kept the relevant ESG strategies and policies under constant review and update. In formulating the ESG strategies and policies, the related environmental and social issues contained in the Reporting Guide are taken into consideration and incorporated. The Board has assigned the various department heads to implement the ESG policies. Through their normal and routine channels, they report directly to the Group CEO, who has the overall responsibility to ensure that the Board's approved strategies and polices are implemented. No major anomalies are reported.

3. It is incumbent on the CEO and the management to examine and address all the environmental and social issues spelt out in the Aspects and Areas in the Reporting Guide. They are duty bound to ensure that established Key Performance Indicators ("KPIs") are adhered to and followed and where appropriate and necessary new ones are developed to cope with any operational needs and changes in line with the Group policy and goals.

(A) ENVIRONMENTAL ASPECTS

In order to develop a sustainable business, the Group undertakes initiatives to engage in conservation and to promote and undertake environmental protection responsibilities. The Group takes an active role to ensure a sustainable and environmentally-friendly production and operating processes by taking all practicable and possible measures to comply with related national and provincial laws. The Group actively assumes social responsibilities and initiatives to reduce pollution by setting achievable objectives and continuing investment on environmental equipment and facilities. The national and provincial standards are our baseline and the Group strives to achieve higher standards.

Emissions

There is a clear policy on the control of air emission and effluent discharge and disposal of hazardous & non-hazardous wastes from the Factory to the environment. The discharges are subject to the constant inspection and surveillance of the various government departments. There has been no breach or offence spotted by the law enforcing departments on pollution control and emissions. The policy is subject to periodic review at different management levels to cope with any areas warranting our attention and action.

During our production process, liquid wastes discharged from the manufacturing Factory are our major environmental pollution source which could be considered to have a significant impact on the environment. The Factory does not have approved built-in liquid wastes discharge outlets and all liquid wastes are collected, treated and disposed of by licensed contractors. On the modified starch production line, exhausted air with powder dust will be produced during the drying process, which will be filtered and treated with two stages of high performing spiral dust remover ensuring removal of 99.5% powder dust and meeting local air quality standard before releasing. On the biochemical refined oil production line, N-hexane will be produced during the immersion process, which will be collected by the paraffin collection system, and sent to the deodorizing facility for treatment up to the local standard before releasing. The Factory does not own a transport fleet and contracts external transport operators to receive and deliver all of its raw materials purchases and finished products sales.

In the reporting period, all hazardous wastes produced were collected and disposed of by professional licensed contractors. All hazardous air emissions were collected and treated by our own installed systems before releasing. All the disposal specifications and formalities were complied with. No adverse comments or irregularities have been reported from the internal and external control sources. Non-hazardous wastes were also taken care of by the local waste collector. Contemplations could be given to recycling and reuse in the various processes and stages of production. Our performance on pollution control on air, water, solid wastes complied with all the local and national standards, and has not given rise to any concern to the Group, the local community and government officials.

The Factory generates no direct greenhouse gas emissions except the indirect gas emission of carbon dioxide (CO_2) as a result of electricity consumption. Owing to our continued and increased investment on environmental equipment and facilities and other production facilities, despite a 138% and 41% increase on tonnages of modified starch and biochemical refined oil products produced respectively in 2017 over 2016, our indirect gas emission of carbon dioxide (CO_2) was reduced by 2.38%, from 9,162.17 tonnes in 2016 to 8,944.27 tonnes in 2017 as a result of less electricity consumed. The figures demonstrate that the Group's effort in pollution control is effective. Where possible and necessary, new KPIs will be established to meet with operation needs and production parameters. New or updated KPIs will be used in the future and will be further examined in greater details in conjunction with our overall production goals with a view to exploring possible reduction, recycle and reuse measures so as to formulate a practicable approach with achievable goals.

Use of Resources

The Group has benefitted from the recently adopted policy on the efficient use of resources. Valuable experience on the efficient use of energy, water and other raw materials has been reported. The 3-R principle (reuse, recycle and reduce) which has been most popular in the industry remains to be our effective measure in use of resources.

All levels of the Group are mindful of the importance of energy saving and its implications to the community and planet earth. Where possible and practicable, means and measures will be explored and adopted for more appropriate ways and means to reduce, reuse and recycle all energy resources in conjunction with our production needs and goals. Educational programs, instructions and supervision which are the main driving force in this aspect are doing well and have proven to be cost effective. The Factory uses electricity and steam from the city grid line and pipeline for its production of modified starch and biochemical refined oil products. In 2017, although the Factory had 138% and 41% increases on tonnages of modified starch and biochemical refined oil products produced respectively over 2016, both our electricity and steam consumption in 2017 were 218,557 kWh or 2.38% less, and 5,176 tonnes or 7.9% less than 2016 respectively, which was a good achievement.

The Factory relies totally on city water supply which is the only source for both production and general use. The Factory production is critically dependent upon a reliable incoming source supply and a quality which meets with our production requirements. Not only it is economically imprudent to source an alternative water source, it is also insurmountable, if not impossible, by technical production parameters to use water from recycled sources without incurring hefty additional costs and unwarranted extra environmental discharges. In 2017, the Factory consumed a total of 155,131 m^3, or 70,586 m^3 and 83.48% fresh water more than 2016 as a result of our increased tonnage of modified starch and biochemical refined oil products produced. However, if we estimate m^3/tonne of our modified starch and biochemical refined oil products produced, it was 2.22 m^3/tonne for 2017 and 2.40 m^3/tonne for 2016, which means that we had another good performance of achieving a saving of fresh water usage of 0.18 m^3/tonne or 7.5%/tonne.

The Factory uses packaging materials for the finished products which are consistent with and similar to the trade norm. In sourcing packaging materials, the Group adopts the view that it must be in the first place fit for purpose and meeting with our specification. Non-toxicity and environmental friendliness are in fact our keen concern. They are under the constant attention and review of the various production levels of the Factory. The measures adopted work well and have achieved our goals in this.

Environment and Natural Resources

As far as the Factory operation is concerned, fresh water is the only key element which is considered to have an impact on the natural resource. The Group has a clear policy on this, clearly driven by the cost saving incentive to reduce its water consumption which accounts for a fair portion of its production costs. It has proved to be working well that the Factory met with its production goal of reducing fresh water consumption by 0.18 m^3 or 7.5%/tonne of modified starch and biochemical refined oil products produced in 2017 over 2016. Waste water and exhaust air with impurities emissions from the Factory production are considered to be other major issues having an impact on the environment as far as our Group operation is concerned and have been treated properly without causing any problems to the environment. Reduction, reuse and recycle measures where appropriate and practicable are the main approach which the Group would consider pursuing in the Factory operation in conjunction with its production goals and policy. Also, the Factory is constantly on the alert to look for ways and means to conserve natural resources, to reduce pollution and to sustain environmental development. The Group is willing and has continued and even increased its investment on environmental equipment and facilities, HK$2,815,000 in 2016 to HK$8,121,000 in 2017 to improve its environmental performance and to achieve its environmental goals.

(B) SOCIAL ASPECTS

Employment

The Group has established and implemented policies and regulations on labour protection emphasising on legal compliance of national laws and local stipulations. No breach of employment laws or welfare benefits have been reported. No illicit employment or forced employment has been recorded. The policies and regulations cover, but are not limited to, compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, health and safety and other benefits and welfare. They are clearly stated in the Employee Handbook and employment contracts. They can be summarized as follows:

(a) The Group ensures that the policies and regulations covering a comprehensive range of employment protection and welfare benefits are in place. As a minimum, they comply with the national labour laws, rules and regulations and any local requirements. Compliance of labour protection laws is considered to have significant impact to the Factory operation and the Group.

(b) The Group recognizes that staff are an important asset for its success and sustainability and commits to providing fair employment and equal opportunity to all staff on recruitment, promotion, compensation and welfare benefits; promoting a harmonious and respectful workplace.

(c) All employments are entered into proper and formal contract in writing between the respective staff and the Group. The human resources department is charged with the prime responsibility and duty to ensure that statutory obligations of the Group are fulfilled and complied with in a timely manner. All qualified job applications, internal transfers and promotions will receive due consideration with no discrimination on age, race, colour, religion, gender, sex or disability basis. No breach of labour laws or labour dispute has been reported both internally and externally.

(d) To ensure a fair and rational human resources structure, the Group has established job qualifications and requirements specific to each job position. They are taken as criteria for recruitment, promotion and transfer. The recruitment and decision making process will involve both the related department head and the human resources department.

(e) In accordance with the requirements of the laws of Hong Kong and the PRC, where appropriate, the Group provides and maintains statutory benefits to all qualified staff, including but not limited to mandatory provident fund, central social security insurance, medical insurance, work injury insurance and compensation.

(f) Employee remunerations are determined with reference to the prevailing market level in line with their competency, qualifications and experience. It is general rule that salary will be paid to the employee bank account within the prescribed agreed period at the end of the wage period. Only in exceptional circumstances shall salary be paid in cash to the employee in person. No wage disputes or complaints were recorded.

(g) The Group opens up opportunities for employees to move on in their vertical and horizontal career path. The Group finds its employee composition natural and normal and detects no anomalies in gender and age.

As at 31 December 2017, the Group employed a total of 126 employees, which was 16% less than the year ended 2016. The reduction was due to gradual automation of the production process and under a natural loss without replacement policy. The Factory did not have any dispute with employees on their departure.

Health and Safety

The Group undertakes to safeguard the health and safety of its employees. The Employee Handbook sets out detailed occupational safety policies and procedures. Operation manuals for the respective plants and production operations contain safety rules and regulations for safe operations. All employees are required to closely observe the health and safety policies and to follow safety rules at work and to place safety as their priority over production.

The Group has taken out National Social Securities and Insurance for all qualified employees of the Factory and employee compensation for employees in Hong Kong in accordance with the statutory requirements of the respective places. There were no serious injury incidents or disastrous events which could have significant impact on the production operation of the Factory in the reporting period.

The Group has equipped the Factory and the head office with all the required safety equipment and facilities, and has passed all the governmental safety inspections. In case of accidents, regardless of being minor or serious, employees are required by the in-house rules to notify their superiors immediately, who will take appropriate measures to ensure safety is not being compromised.

In-house rules require all injuries or accidents to be promptly and properly dealt with and reported in accordance with the local or national laws as appropriate. Parallel remedial or compensatory actions arising from safety and health issues or work injuries are required to be taken where necessary in accordance with the in-house rules. The Group did not record any claim dispute on compensation or work related injury investigation by the government officials in the reporting period in Hong Kong and in the PRC.

Development and Training

It is the policy of the Group and the Factory to provide the required level of training in terms of skills and job knowledge, plant operation and production know-hows to employees at various levels so that they are able to perform their required job duties in a competent and capable manner without risk to their health and safety or damage to plants and operations.

The policy also encompasses on the job training to ensure that knowledge and skills are rightly and timely provided to meet production and staff needs. Employees are encouraged to engage in self-development by taking external training programs and seminars whereby the Group may sponsor the cost of such training programs.

Labour Standards

It is the policy of the Group to adopt the national standard of the PRC and the local standard of Hong Kong as its minimum labour standard on labour protection and welfare. The Group is committed to ensuring its stringent compliance. In addition, the Group adopts a serious view and attaches great importance in the compliance of statutory duties and obligations as an employer. The Group has not been prosecuted for breach of labour safety and employment laws for the reporting period.

Banning the employment of child labour and forced labour is achieved through the recruitment and employment process at source. The HR department has been fully charged with this statutory duty and is being oversighted by the senior levels with constant reviews at periodic intervals.

All job applicants are required to submit their credentials like academic qualifications, professional skill certificates, references and identity card for verification and record purpose during recruitment. This is effective in barring illegal employment.

The Group has honored all of its obligations towards staff and no labour disputes or litigations were reported for the reporting period.

Supply Chain Management

It is the policy of the Group to open its purchase requisitions to all suppliers on a fair and equitable manner. All purchase transactions are open and transparent and subject to the scrutiny of internal and external auditing. Purchase transactions are subject to the scrutiny of the internal hierarchy supervisions depending on its value and significance. Transaction records are subject to the overall scrutiny of the external independent audit checks. Many of our purchases for general purpose and use are concluded with suppliers in the nearby areas to support the local economy.

All purchases are executed and recorded in accordance with the in-house rules which predominantly imposes concern for and attaches importance to its fit for purpose, safety and reliability. Other secondary considerations are in areas like price, sustainable availability and reputation of the suppliers. Suppliers are chosen basing on their continuous ability to guarantee satisfactory product quantity and quality, reasonable pricing and timely delivery. New suppliers are required to provide relevant certifications/documents and track records.

The Group recognizes that quality and technical standard of the raw materials are crucial and instrumental to the Factory output quality. The Group attaches great importance to the quality and standards of the incoming raw materials. A stringent specification stipulation policy on procurement has been established and in force where applicable in the procurement process. Incoming key materials will be subjected to our own quality assurance checks. As far as condition warrants and permits the Group may impose a condition in the procurement documents to reserve the right to inspect and examine the raw materials before purchase.

During the reporting period, the Group purchased raw materials crucial to its Factory production mainly from 110 and 69 reputable local suppliers with known supply source as far as practicable and possible for modified starch and biochemical refined oil products respectively, which were close to the 2016 numbers. The Group has maintained stable sources of supplies and does not foresee its sources of supplies to be a potential threat to our Factory operation.

Product Responsibilities

The Group recognizes the importance of product safety and attaches great significant to it. We are committed to providing high quality end products as we realize that the quality and consistency of our products are critical to our ability to retain our customers and to expand market shares. Great importance is attached to the safety standard of our products which could be of significant impact to our operation.

The Factory in general sells its products only to local customers. It maintains close contact with its business peers in the trade to keep abreast of the latest product development and knowledge.

To guarantee safety and quality of our products, the Group obtained ISO9001-2008 on quality management certification and CNCA/CTS 0010-2008A (CCAA 0005-2014) on food safety management system certification. For starch and starch products production, CNCA/CTS 0020-2008A (CCAA 0014-2014) was attained on food and feed additives production. All of these certifications are still valid and in operation.

Policies and procedures are in place to ensure that all customer concerns and complaints are addressed at the appropriate levels and in a timely manner. Same as 2016, the Factory did not record any sales returns or rejects due to quality problems for 2017. Our products are labelled in a manner consistent with trade practice and customer needs or as prescribed by law. All stipulations for product labelling required by local or overseas laws are strictly adhered to. No breaches or infringements, same as 2016, were reported in the year ended 31 December 2017.

The Group does not foresee its product should give rise to any intellectual property right issues. The technology for production of modified starch and biochemical refined oil products has been matured and commonly known. The Group sells the modified starch and biochemical refined oil products under its own brands. No irregularities on intellectual property right issues have been detected or recorded during the reporting period.

The Group generates a certain amount of privacy information on the buyers and suppliers during the sales and purchases processes. The Group is aware of its obligation and has kept the information under secured conditions. General staff are not allowed to access the privacy information without approval. During the reporting period, same as 2016, there was no complaint or legal charge on leakage of privacy information.

Anti-corruption

The Group is well aware of the importance of honesty, integrity and fairness in its business operations and has inserted anti-corruption and anti-bribery clauses into the Employee Handbook and Employment Contract. Employees at all levels are constantly reminded on fulfilling their ethical obligation on corruption and giving and taking of interests and benefits. Staff are required to declare any conflict of interest in the execution of their roles. Through the establishment of these rules and regulations, we encourage all employees to discharge their duties with integrity and comply with the relevant laws and regulations.

Transactions in large monetary sums are processed through bank transactions which require authorized signatories of the appropriate levels depending on the amount involved.

Checks and balances have been installed in the Group for money transaction activities and are considered effective and adequate. No adverse comment on this aspect has been received from the external auditor. Money laundering should not be our concern and there were no enquiries or concerns from the government or banking officials.

During the reporting period, same as 2016, the Group recorded no bribery cases nor corruption charge.

Community Investment

The Group fully understands and appreciates the importance of and the need for community investment. Through the day to day contacts with the community officials and leaders, the Group explores and examines on what and how the Group can engage in the community. One thing remarkable which is fully appreciated by the local community is that most employees of the Factory come from the nearby villages. The Group is committed to developing more community investment opportunities in our development plans.

Independent Auditor's Report

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西 2-12 號聯發商業中心 305 室
Tel 電話: (852) 3103 6980
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E-mail 電郵: info@hlm.com.hk

TO THE MEMBERS OF WAI CHUN MINING INDUSTRY GROUP COMPANY LIMITED
偉俊礦業集團有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wai Chun Mining Industry Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 105, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The accompanying consolidated financial statements for the year ended 31 December 2017 have been prepared assuming that the Group will continue as a going concern. We draw attention to Note 2 to the consolidated financial statements which indicates that the Group incurred a net loss attributable to owners of the Company of approximately HK$17,399,000 for the year ended 31 December 2017 and as at that date, the Group had net current liabilities and net liabilities of approximately HK$81,664,000 and HK$32,019,000 respectively, and also, the Group's capital deficiency attributable to owners of the Company was approximately HK$33,306,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Management's arrangements to address the going concern issue are also described in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

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.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition	
As set out in note 8 to the consolidated financial statements, revenue recorded for the year ended 31 December 2017 amounted to HK$512,133,000. We identified revenue recognised as a key audit matter as revenue recognised is quantitatively significant to the consolidated statement of profit or loss and other comprehensive income and material revenue transactions may occur close to the end of the reporting period.	Our procedures in relation to revenue recognition included: – Carrying out test of controls over revenue recognition, including the timing of revenue recognition. – Performing detailed testing on a sample of sales transactions on the recognition of revenue during the year to supporting documents. In doing so, we have traced from the ledger to invoices and vice versa. – Analysing and selecting supporting documents for testing the sales transactions. We traced the sales journal entries to originating documentation to confirm the entries were valid. – Performing cut-off test on revenue recognition across the year end. We found the Group's revenue recognition in relation to sales of goods was supported by the evidence that we gathered.

KEY AUDIT MATTERS *(Continued)*

Key audit matters	How our audit addressed the key audit matter
Impairment assessments of inventories and prepayment for inventories As set out in note 20 to consolidated financial statements, the Company held inventories of approximately HK$25,969,000 (2016: HK$38,381,000) and prepayment for inventories of approximately HK$3,984,000 (2016: HK$4,828,000) as at 31 December 2017. Inventories are stated at the lower of cost and net realisable value. Judgement is required to determine the appropriate provisions for the inventories.	Our procedures in relation to inventory provision included: – Checking the effectiveness of control over the inventory system and assessment of impairment process. – Assessing the consistency and appropriateness of the methodology applied by the directors in making provision for impairment of inventories and prepayment for inventories. – Attending client's inventory counts, performing test count and observing whether there is any damaged or obsolete inventory. – Performing test on a sample basis, to assess that invoiced costs have been correctly recorded and to assess directly attributed costs have been correctly calculated and allocated. – Testing calculations of the provisions and determining that management had appropriately taken into consideration the ageing profile of inventory. – Comparing the net realisable value, obtained through a detailed review of sales subsequent to the year-end, to the carrying value of inventories. – Requesting confirmations for prepayment for purchase of inventories. Where confirmations had not been received, we sought explanation from management and checked to invoices, and their subsequent deliveries after year end date. We found the judgements and estimates made by management in assessing the provision of inventories and prepayment for inventories to be reasonable based on evidence obtained.

KEY AUDIT MATTERS *(Continued)*

Key audit matters	How our audit addressed the key audit matter
Impairment assessments trade receivables	
As set out in note 21 to the consolidated financial statements, impairment loss on trade receivables recorded at 31 December 2017, which represented managements estimates of the amounts which are potentially irrecoverable, amounted to HK$3,591,000 (2016:HK$1,942,000) are excluded from the balance of trade receivables. Management is required to carry out an impairment test, which is judgemental and may be subjected to management bias.	Our audit procedures in relation to the management's impairment assessment of trade receivables included: – Evaluating the design and implementation of controls applied by the management to assess the impairment of trade receivables. – Testing the accuracy of the receivable ageing analysis. – Requesting confirmations for year end balances on a sample basis. Where confirmations had not been received, we sought explanation from management and checking to their sales invoices, delivery documents and their subsequent settlement and corroborative enquiry. – Assessing the reasonableness of provision for impairment of trade receivables made by management with reference to the credit history of the trade receivables including default or delay in payments, settlement records, subsequent settlements and ageing analysis of trade receivables. We found the judgements and assumption made by management in assessing the provision for impairment of trade receivables to be reasonable based on evidence obtained.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

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

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

HLM CPA Limited
HO PAK TAT
Practising Certificate Number: P05215
Certified Public Accountants
Hong Kong
29 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Turnover	8	**512,133**	464,807
Cost of sales		**(499,203)**	(452,651)
Gross profit		**12,930**	12,156
Other revenue	9	**1,605**	1,376
Selling expenses		**(7,013)**	(5,778)
Administrative expenses		**(19,009)**	(43,502)
Impairment loss on trade and bills receivables	21	**(3,591)**	(1,942)
Impairment loss on deposits, prepayments and other receivables	22	**(646)**	(1,451)
Finance costs	11	**(4,907)**	(2,826)
Loss before tax		**(20,631)**	(41,967)
Income tax expense	12	**(111)**	(79)
Loss for the year	13	**(20,742)**	(42,046)
Loss for the year attributable to:			
– Owners of the Company		**(17,399)**	(39,169)
– Non-controlling interests		**(3,343)**	(2,877)
		(20,742)	(42,046)
Loss per share	17	**HK cents**	HK cents
– Basic		**(0.11)**	(0.24)
– Diluted		**(0.11)**	(0.24)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Loss for the year	**(20,742)**	(42,046)
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**556**	(849)
Other comprehensive income (expense), net of income tax	**556**	(849)
Total comprehensive expense for the year	**(20,186)**	(42,895)
Total comprehensive expenses attributable to:		
– Owners of the Company	**(17,116)**	(39,602)
– Non-controlling interests	**(3,070)**	(3,293)
	(20,186)	(42,895)

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	18	**42,695**	35,772
Prepaid land lease payments	19	**32,004**	30,445
		74,699	66,217
Current assets			
Inventories	20	**25,969**	38,381
Prepaid land lease payments	19	**735**	683
Trade and bills receivables	21	**22,518**	26,254
Deposits, prepayments and other receivables	22	**14,096**	8,630
Financial assets at fair value through profit and loss	23	**3,567**	1,419
Bank balances and cash	24	**5,822**	6,464
		72,707	81,831
Current liabilities			
Trade payables	25	**61,633**	57,244
Accruals and other payables	26	**22,846**	17,121
Tax payables		**61**	52
Amounts due to a non-controlling shareholder of a subsidiary	27	**9,903**	14,561
Borrowings	28	**59,928**	55,854
		154,371	144,832
Net current liabilities		**(81,664)**	(63,001)
Total assets less current liabilities		**(6,965)**	3,216
Non-current liability			
Loans from the ultimate holding company	29	**25,054**	15,049
Net liabilities		**(32,019)**	(11,833)

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital – ordinary shares	30	**41,477**	40,677
Share capital – convertible preference shares	31	**542**	1,342
Reserves		**(75,325)**	(58,209)
Capital deficiency attributable to owners of the Company		**(33,306)**	(16,190)
Non-controlling interests		**1,287**	4,357
Capital deficiency		**(32,019)**	(11,833)

The consolidated financial statements on pages 41 to 105 were approved and authorised for issue by the Board of Directors on 29 March 2018 and are signed on its behalf by:

Mr. Lam Ching Kui
Director

Mr. Chan Chun Wai, Tony
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to shareholder of the Company									
	Share Capital HK$'000	Convertible preference shares HK$'000	Share premium HK$'000	Other reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	40,677	–	184,476	6,906	–	1,208	(259,931)	(26,664)	7,650	(19,014)
Loss for the year	–	–	–	–	–	–	(39,169)	(39,169)	(2,877)	(42,046)
Other comprehensive expense for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(433)	–	(433)	(416)	(849)
Total comprehensive expense for the year	–	–	–	–	–	(433)	(39,169)	(39,602)	(3,293)	(42,895)
Shares issued pursuant to the loan capitalisation	–	1,342	25,506	–	–	–	–	26,848	–	26,848
Recognition of equity-settled share-based payments	–	–	–	–	23,228	–	–	23,228	–	23,228
At 31 December 2016 and 1 January 2017	**40,677**	**1,342**	**209,982**	**6,906**	**23,228**	**775**	**(299,100)**	**(16,190)**	**4,357**	**(11,833)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(17,399)**	**(17,399)**	**(3,343)**	**(20,742)**
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**283**	**–**	**283**	**273**	**556**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**283**	**(17,399)**	**(17,116)**	**(3,070)**	**(20,186)**
Conversion of convertible preference shares	**800**	**(800)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2017	**41,477**	**542**	**209,982**	**6,906**	**23,228**	**1,058**	**(316,499)**	**(33,306)**	**1,287**	**(32,019)**

Note:

Other reserve represents the share of a subsidiary's share premium arising from the allotment and issue of shares, and deemed contribution from owners of the Company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Operating activities			
Loss before tax:		**(20,631)**	(41,967)
Adjustments for:			
Finance costs	11	**4,907**	2,826
Interest income	9	**(129)**	(144)
Depreciation of property, plant and equipment	18	**3,841**	3,389
Amortisation of prepaid land lease payments	19	**705**	715
Loss on disposal of property, plant and equipment		**–**	286
Impairment loss on trade and bills receivables	21	**3,591**	1,942
Impairment loss on deposits, prepayments and other receivables	22	**646**	1,451
Reversal of write-down of inventories	20	**(149)**	(677)
Share-based payment expenses	36	**–**	23,228
Operating cash flows before movements in working capital		**(7,219)**	(8,951)
Decrease (increase) in inventories		**14,831**	(3,943)
Decrease (increase) in trade and bills receivables		**2,037**	(6,109)
Increase in deposits, prepayments and other receivables		**(5,313)**	(2,639)
Increase in tax payables		**–**	52
Increase in trade and bills payables		**74**	16,211
Increase (decrease) in accruals and other payables		**4,623**	(9,276)
Cash generated from (used in) operations		**9,033**	(14,655)
Tax paid		**(105)**	(79)
Net cash generated from (used in) operating activities		**8,928**	(14,734)
Investing activities			
Interest received	9	**129**	144
Proceeds from disposal of property, plant and equipment		**–**	97
Proceeds from disposal of financial assets at fair value through profit or loss		**1,418**	1,564
Purchase of property, plant and equipment	18	**(8,274)**	(6,281)
Purchase of financial assets at fair value through profit or loss		**(3,425)**	(1,419)
Net cash used in investing activities		**(10,152)**	(5,895)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Financing activities			
Interest paid		**(3,496)**	(2,426)
Repayment of borrowings		**(55,011)**	(50,245)
New borrowings raised		**55,069**	55,737
Increase in loans from the ultimate holding company		**8,754**	14,809
Decrease in amounts due to a non-controlling shareholder of a subsidiary		**(5,524)**	(734)
Net cash (used in) generated from financing activities		**(208)**	17,141
Net decrease in cash and cash equivalents		**(1,432)**	(3,488)
Cash and cash equivalents at 1 January		**6,464**	10,605
Effect of foreign exchange rate changes		**790**	(653)
Cash and cash equivalents at 31 December		**5,822**	6,464
Analysis of cash and cash equivalent:			
Bank balances and cash	24	**5,822**	6,464

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. In the opinion of the Directors of the Company, the ultimate holding company of the Company is Oriental Success Ventures Limited ("Oriental Success"), which is a private limited company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Lam Ching Kui ("ultimate controlling party"), who is the chairman of the Board of Directors and an executive director of the Company. The address of the registered office of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and the principal place of business of the Company is 13/F, Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong.

The principal activities of the Group are the manufacture and sale of modified starch and other biochemical products and general trading including the trading of athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes, and trading of electronic parts and components and electrical appliances.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017, the Group incurred a net loss attributable to owners of the Company of approximately HK$17,399,000 and as at that date, the Group had net current liabilities and net liabilities of approximately HK$81,664,000 and HK$32,019,000 respectively, and also, the Group's capital deficiency attributable to owners of the Company was HK$33,306,000. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to ensure the Group's ability to operate as a going concern, the Directors of the Company have implemented measures as follow:

(i) As at 31 December 2017, the Company has undrawn loan facilities of approximately HK$105,946,000 granted by Oriental Success, its ultimate holding company, which is provided on a sub-ordinated basis, i.e. Oriental Success will not demand the Company for repayment of such loans until all the other liabilities of the Group had been satisfied;

(ii) In addition to the loan facilities granted by Oriental Success as stated above, the ultimate controlling party has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving these consolidated financial statements;

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(iii) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangement; and

(iv) The Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the coverage period to 31 March 2019, taking into account the impact of above measures, the Directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the date of this report, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

As set out in the paragraphs above, the Group intends to pursue strategic acquisitions that can enable the Company to capture new business opportunities in the People's Republic of China (the "PRC") market and to strengthen the revenue and profit fundamentals. The Company has been actively identifying projects with growth potential for acquisitions or investments and has engaged in discussions with various parties for such acquisitions or investments.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

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

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 38. Consistent with the transaction provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 2	Clarification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2021. with earlier application permitted.
[4] Effective date to be determined.

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

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

New and amendments to HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets and impairment requirements for financial assets.

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

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

– in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, upon application of HKFRS 9, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the directors of the Company performs a detailed review.

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

New and amendments to HKFRSs issued but not yet effective *(Continued)*

Amendments to HKFRS 2 Clarification and Measurement of Share-based Payment Transactions

The amendments clarify classification and measurement of cash-settled share-based payment under certain specific circumstances and share-based payments in which the Group is required by the local tax law or regulation to withhold certain number of equity instruments for settlement of the employee's tax obligation. The Directors of the Company do not anticipate that the Amendments to HKFRS 2 will have a material impact on the classification and measurement of the Group's share-based payment transactions.

Except as described above, the Directors of the Company do not anticipate that the application of these new and amendments to HKFRSs will have a material effect on the amounts recognised in the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipates that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company does not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value at the end of each reporting period, explained in the accounting policies set out below.

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

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

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.

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

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

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

Non-controlling interests in the net assets or liabilities consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in subsidiaries

Investment in subsidiaries are stated at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discount and sales related taxes.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from leased asset are consumed.

Prepaid land lease payments

Prepaid land lease payments represent upfront premium paid for use of land. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

Property, plant and equipment

Property, plant and equipment including buildings, construction in progress, leasehold improvements, furniture and fixtures, machinery and equipment and motor vehicles held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

Foreign currencies

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

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange difference arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to 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, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

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

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

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

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories, including an appropriate portion of fixed and variable overhead expenses, are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investment with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Related parties

A related party is a person or that is related to the Group.

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

 (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

 (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

 (iii) both entities are joint ventures of the same third party;

 (iv) one entity is a joint venture of a third entity and other entity is an associate of the third party;

 (v) the entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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); or

 (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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held-for-trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other revenue" line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 7(c).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and bills receivables, deposits and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

***Financial assets** (Continued)*

Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

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

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Convertible preference shares

Convertible preference shares are classified as equity if it is non-redeemable and any dividends are discretionary. Dividends on convertible preference shares classified as equity are recognised as distributions within the equity.

Other financial liabilities

Other financial liabilities (including trade and bills payables, other payables, borrowings, amounts due to a non-controlling shareholder of a subsidiary and loans from the ultimate holding company) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derecognition (Continued)

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following is the critical judgment, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in consolidated financial statements.

Going concern consideration

The assessment of the going concern assumptions involves making judgements by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in Note 2 to the consolidation financial statements.

Key sources of estimation uncertainty

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

Depreciation of property, plant and equipment

The Group's carrying amounts of property, plant and equipment as at 31 December 2017 were approximately HK$42,695,000 (2016: approximately HK$35,772,000). The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful life of 3 years to 20 years and after taking into account of their estimated residual values, using the straight-line method, at the rate of 5% to 33% per annum, commencing from the date in which the property, plant and equipment are available for use. The estimated useful life that the Group places the property, plant and equipment into productive use reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment loss on trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of the each reporting period.

As at 31 December 2017, the carrying amounts of trade and bills receivables and deposits, prepayments and other receivables are approximately HK$22,518,000 (2016: approximately HK$26,254,000) and approximately HK$14,096,000 (2016: approximately HK$8,630,000) respectively, net of accumulated impairment loss of trade and bills receivables and deposits, prepayments and other receivables of approximately HK$13,029,000 (2016: approximately HK$9,438,000) and approximately HK$7,956,000 (2016: approximately HK$7,310,000) respectively.

Impairment loss on inventories

The management of the Group reviews an ageing analysis of the inventories at the end of reporting period, and identified obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an impairment review on a product-by-product basis at the end of reporting period and provides impairment loss on obsolete items.

As at 31 December 2017, the carrying amounts of inventories are approximately HK$25,969,000 (2016: approximately HK$38,381,000).

Deferred tax asset

At 31 December 2017, no deferred tax asset has been recognised on the tax losses of approximately HK$164,224,000 (2016: approximately HK$152,482,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the estimated future assessable profits or taxable temporary differences are more than those previously estimated, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which the revised estimate takes place.

6. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from 2016.

The capital structure of the Group consists of net debts (which includes amount due to a non-controlling shareholder of a subsidiary, borrowings and loans from the ultimate holding company, net of bank balances and cash) and total assets.

The Group is not subject to any externally imposed capital requirements.

The Directors of the Company review the capital structure periodically. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, sell assets to reduce debts, new share issues as well as the issue of new debt or the redemption of existing debts.

Net debt to total assets ratio

The net debt to total assets ratio at the end of the reporting period was as follows:

	2017 **HK$'000**	2016 HK$'000
Debts (Note a)	**94,885**	85,464
Bank balances and cash	**(5,822)**	(6,464)
Net debts	**89,063**	79,000
Total assets (Note b)	**147,406**	148,048
Net debt to total assets ratio	**60.4%**	53.4%

Notes:

(a) Debts comprise amount due to a non-controlling shareholder of a subsidiary of approximately HK$9,903,000, borrowings of approximately HK$59,928,000 and loans from the ultimate holding company of approximately HK$25,054,000, as detailed in notes 27, 28 and 29 respectively.

(b) Total assets include all non-current assets and current assets.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Fair value through profit or loss (FVTPL)	**3,567**	1,419
Loans and receivables (including bank balances and cash)	**36,716**	34,163
Financial liabilities		
Other financial liabilities at amortised cost	**166,225**	150,049

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, financial assets at fair value through profit or loss, bank balances and cash, trade payables and other payables, bank borrowings, amounts due to a non-controlling shareholder of a subsidiary and loans from the ultimate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (foreign currency risk, interest rate risk) and liquidity risk.

The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk management

The carrying amounts of trade and other receivables, financial assets at fair value through profit or loss and bank balances, included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

In order to minimise the credit risk, the Group trades only with recognised and creditworthy third parties and the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Receivable balances should be monitored and managed by management on an ongoing basis to ensure the Group's exposure to bad debt is minimised.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk management *(Continued)*

The Group has concentration of credit risk as approximately 42% (2016: approximately 19%) and approximately 64% (2016: approximately 53%) of the total trade and bills receivables which was due from the Group's largest customer and the total three largest customers respectively. The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for approximately 100% (2016: approximately 100% in PRC) of the trade and bills receivables as at 31 December 2017. They have good historical repayment records and no default in payment.

The credit risk on bank balances and financial assets at fair value through profit or loss are limited because the counterparties are reputable banks located in Hong Kong and the PRC.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group has no other significant concentration of credit risk, with exposure spreading over a number of counterparties.

Foreign currency risk management

The Group is not exposed to significant currency risk as most of its monetary assets and monetary liabilities are denominated in the functional currency of the individual group entity. The management is of the opinion that the Group's exposure to foreign currency risk is minimal. Accordingly, no foreign exchange risk sensitivity analysis is presented. The significant balance carried in the translation reserve account is occasioned by the translation of the financial statements of the Group's subsidiaries into the presentation currency of the consolidated financial statements of the Group at each reporting date.

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

Interest rate risk management

The Group's cash flow interest rate risk relates primarily to variable-rate borrowings and cash at bank. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk. The Group's exposure to cash flow interest rate risk is minimal.

The Group is also exposed to fair value interest rate risk in relation to loans from the ultimate holding company. The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2016: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2016: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2017 would increase/decrease by approximately HK$546,000 (2016: approximately HK$470,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Liquidity risk management

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group's management policy is to regularly monitor its current and expected liquidity positions to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Group can meet its short-term and long-term funding requirements and does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The management will also closely monitor the cash flow generated from operations and the Group's needs for different types of external financing and will negotiate for proper facilities and consider proper means of equity financing as appropriate.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk management *(Continued)*

Liquidity tables

	Weighted average effective interest rate	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2017							
Trade and bills payables	–	38,221	23,412	–	–	61,633	61,633
Other payables	–	5,201	4,506	–	–	9,707	9,707
Loans from the ultimate holding company	6.25%	–	–	–	26,620	26,620	25,054
Amounts due to a non-controlling shareholder of a subsidiary	–	–	–	9,903	–	9,903	9,903
Borrowings	5.06%	251	502	62,188	–	62,941	59,928
		43,673	28,420	72,091	26,620	170,804	166,225

	Weighted average effective interest rate	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2016							
Trade and bills payables	–	49,921	4,478	2,079	766	57,244	57,244
Other payables	–	3,927	2,560	763	91	7,341	7,341
Loans from the ultimate holding company	6.25%	–	–	–	16,727	16,727	15,049
Amounts due to a non-controlling shareholder of a subsidiary	–	–	–	14,561	–	14,561	14,561
Borrowings	5.03%	233	466	57,955	–	58,654	55,854
		54,081	7,504	75,358	17,584	154,527	150,049

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk management *(Continued)*

Liquidity tables (Continued)

The Directors of the Company believe that based on the continuous financing support and undrawn facilities granted by its ultimate holding company, Oriental Success, which will be provided on a sub-ordinated basis, the liquidity of the Group will be improved. Therefore, the Directors consider that the Group has sufficient financial resources to satisfy its working capital requirements and payments of liabilities and its forthcoming future capital commitments as and when they fall due.

(c) Fair value estimation

Some of the Group's financial instruments are measured at fair value at the end of each reporting period on a recurring basis. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used).

	Fair value As at 31 December		Fair value hierarchy	Valuation technique and key inputs
	2017	2016		
	HK$'000	HK$'000		
Financial assets				
Financial assets at fair value through profit or loss	**3,567**	1,419	Level 1	Quoted prices in active market

At the end of the reporting period, the Group had no Level 2 or 3 fair value measurements financial instruments.

There were no transfers into or out of Level 1 during the year.

Except for the financial assets that are measured at fair value on a recurring basis, the Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

8. TURNOVER

Revenue represents the amounts received and receivable for goods sold net of discounts and sales related taxes. An analysis of the Group's revenue for the year is as follows:

	2017 HK$'000	2016 HK$'000
Turnover from modified starch and other biochemical products	**476,290**	429,254
Turnover from general trading	**35,843**	35,553
Total	**512,133**	464,807

9. OTHER REVENUE

	2017 HK$'000	2016 HK$'000
Bank interest income	**129**	144
Reversal of write-down of inventories	**149**	658
Others	**1,327**	574
Total	**1,605**	1,376

10. SEGMENT INFORMATION

The chief operating decision maker ("CODM") has been identified as the Group's senior executive management. The CODM reviews the Group's internal reporting for resource allocation and assessment of performance.

For management purposes, the Group's reportable segments under HKFRS 8 are as follows:

Modified starch and other biochemical products – Manufacture and sale of modified starch and other biochemical products

General trading – Trading of electronic parts and electrical appliances, athletic and athletic-style leisure footwear, working shoes, safety shoes, golf shoes and other functional shoes

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs and these reports are regularly reviewed by the CODM of the Company.

Segment results represent loss incurred or profit earned by each segment without allocation of other revenue, central administration costs (including Directors' salaries) and finance costs.

10. SEGMENT INFORMATION *(Continued)*

Business segments

Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable and operating segment:

For the year ended 31 December 2017

	Modified starch and other biochemical products HK$'000	General trading HK$'000	Total HK$'000
Segment revenue	**476,290**	**35,843**	**512,133**
Segment results	**(4,666)**	**185**	**(4,481)**
Other revenue			**1,456**
Central administration costs			**(12,699)**
Finance costs			**(4,907)**
Loss before tax			**(20,631)**
Income tax expense			**(111)**
Loss for the year			**(20,742)**

For the year ended 31 December 2016

	Modified starch and other biochemical products HK$'000	General trading HK$'000	Total HK$'000
Segment revenue	429,254	35,553	464,807
Segment results	(4,743)	(6,003)	(10,746)
Other revenue			1,376
Central administration costs			(29,771)
Finance costs			(2,826)
Loss before tax			(41,967)
Income tax expense			(79)
Loss for the year			(42,046)

10. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Segment assets and liabilities

At 31 December 2017

	Modified starch and other biochemical products HK$'000	General trading HK$'000	Consolidated HK$'000
Assets			
Segment assets	145,827	1,229	147,056
Unallocated assets			350
Consolidated assets			147,406
Liabilities			
Segment liabilities	(143,201)	(2,931)	(146,132)
Unallocated liabilities			(33,293)
Consolidated liabilities			(179,425)
Geographical assets			
Hong Kong			1,573
Macau			6
PRC			145,827
			147,406

10. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 December 2016

	Modified starch and other biochemical products HK$'000	General trading HK$'000	Consolidated HK$'000
Assets			
Segment assets	145,750	1,985	147,735
Unallocated assets			313
Consolidated assets			148,048
Liabilities			
Segment liabilities	(136,859)	(356)	(137,215)
Unallocated liabilities			(22,666)
Consolidated liabilities			(159,881)
Geographical assets			
Hong Kong			2,298
Macau			–
PRC			145,750
			148,048

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

- assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual segments; and
- liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

10. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2017

	Modified starch and other biochemical products HK$'000	**General trading HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Additions to property, plant and equipment	**8,270**	**4**	**–**	**8,274**
Depreciation and amortisation	**4,411**	**135**	**–**	**4,546**
Impairment loss on trade and bills receivables	**3,591**	**–**	**–**	**3,591**
Impairment loss on deposits, prepayments and other receivables	**623**	**23**	**–**	**646**
Reversal of write-down of inventories	**(149)**	**–**	**–**	**(149)**

For the year ended 31 December 2016

	Modified starch and other biochemical products HK$'000	General trading HK$'000	Unallocated HK$'000	Total HK$'000
Additions to property, plant and equipment	5,629	652	–	6,281
Depreciation and amortisation	4,059	45	–	4,104
Impairment loss on trade and bills receivables	1,942	–	–	1,942
Impairment loss on deposits, prepayments and other receivables	1,451	–	–	1,451
Reversal of write-down of inventories	(677)	–	–	(677)
Loss on disposal of property, plant and equipment	286	–	–	286

10. SEGMENT INFORMATION *(Continued)*

Geographical information

For the years ended 31 December 2017 and 2016, the Group's operations were principally located in Hong Kong (country of domicile) and PRC with revenue and profits from its operations.

The following is an analysis of the Group's revenue from external customers and non-current assets by geographical locations:

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**35,843**	35,553	**531**	663
PRC	**476,290**	429,254	**74,168**	65,554
	512,133	464,807	**74,699**	66,217

Information on major customers

Revenues from customers from manufacturing and sale of modified starch and other biochemical products of the corresponding years contributing over 10% of the total turnover of the Group are as follows:

	2017	2016
	HK$'000	HK$'000
Customer A	**125,703**	N/A[1]
Customer B	**54,918**	109,403
Customer C	**54,118**	Nil
Customer D	**N/A[1]**	70,119

[1] The corresponding revenue did not contribute over 10% of the total turnover of the Group.

No other single customer contribute 10% or more to the Group's turnover.

11. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interests on:		
– Bank loans and bank overdrafts	**3,394**	2,426
– Loans from the ultimate holding company	**1,251**	240
– Short-term loan from an independent third party	**160**	160
– Bills payables	**102**	–
Total	**4,907**	2,826

12. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
The income tax expense comprises:		
Current income tax:		
PRC Enterprise Income Tax	**111**	79
Total	**111**	79

No provision for taxation in Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The provision for Macau Complementary Tax is calculated at 12% (2016: 12%) of the estimated assessable profits for the year. Assessable profits of the first Macau Patacas ("MOP") 600,000 (equivalent to approximately $588,000) (2016: MOP600,000 (equivalent to approximately $567,000)) are exempted from Macau Complementary Tax.

12. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss as follows:

	2017 **HK$'000**	2016 HK$'000
Loss before income tax	**(20,631)**	(41,967)
Tax at the Hong Kong profits tax rate of 16.5% (2016: 16.5%)	**(3,404)**	(6,924)
Effect of different tax rates of subsidiaries in other jurisdictions	**(589)**	(515)
Tax effect of expenses not deductible for tax purpose	**2,198**	4,978
Tax effect of income not taxable for tax purpose	**(28)**	–
Tax effect of deductible temporary differences not recognised	**6**	(65)
Tax effect on tax reduction	**(10)**	(5)
Tax effect of tax losses not recognised	**1,938**	2,610
Income tax expense for the year	**111**	79

At 31 December 2017, the Group has unused tax losses of approximately HK$164,224,000 (2016: approximately HK$154,482,000) available to offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams of the Group.

There was no unrecognised deferred tax liabilities, relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries in both years, as the Directors consider that the timing for reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total unused loss of these PRC subsidiaries as at 31 December 2017 amounted to approximately HK$23,547,000 (2016: approximately HK$14,375,000).

13. LOSS FOR THE YEAR

	2017 **HK$'000**	2016 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**500**	500
Cost of inventories recognised as an expense (Note 20)	**499,203**	452,651
Impairment loss on trade and bills receivables	**3,591**	1,942
Impairment loss on deposits, prepayments and other receivables	**646**	1,451
Reversal of write-down inventories	**(149)**	(677)
Depreciation on property, plant and equipment	**3,841**	3,389
Loss on disposal of property, plant and equipment	**–**	286
Share-based payment expenses	**–**	23,228
Amortisation of prepaid land lease payments	**705**	715
Staff costs (including Directors' emoluments and retirement benefit costs)	**6,772**	5,727

14. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' and chief executive's emoluments

The aggregate amounts of emoluments paid or payable to Directors and chief executive of the Company during the year were as follows:

	2017 **HK$'000**	2016 HK$'000
Fees	**360**	360
Other emoluments:		
Basic salaries, other allowance and benefits in kind	**1,400**	1,400
Retirement benefit costs		
– Defined contribution retirement plans	**9**	9
	1,409	1,409
Total emoluments	**1,769**	1,769

14. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(Continued)*

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

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

		Other emoluments		
	Directors' fees HK$'000	Basic salaries, other allowance and benefits in kind HK$'000	Defined contribution retirement plans HK$'000	2017 Total emoluments HK$'000
Executive Director:				
Lam Ching Kui (Chief Executive Officer)	–	1,400	9	1,409
Independent Non-executive Directors:				
Chan Chun Wai, Tony	120	–	–	120
Hau Pak Man	120	–	–	120
To Yan Ming, Edmond	120	–	–	120
Total	360	1,400	9	1,769

14. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(Continued)*

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

		Other emoluments		
	Directors' fees HK$'000	Basic salaries, other allowance and benefits in kind HK$'000	Defined contribution retirement plans HK$'000	2016 Total emoluments HK$'000
Executive Director:				
Lam Ching Kui				
Chief Executive Officer	–	1,400	9	1,409
Independent Non-executive Directors:				
Chan Chun Wai, Tony	120	–	–	120
Hau Pak Man	120	–	–	120
To Yan Ming, Edmond	120	–	–	120
Total	360	1,400	9	1,769

No director waived any emoluments in the years ended 31 December 2017 and 2016. No incentive payment for joining the Group was paid or payable to any directors during the years ended 31 December 2017 and 2016.

The executive director's emolument shown above was mainly for his services in connection with the management of the affairs of the Company and the Group during the years ended 31 December 2017 and 2016.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries during the years ended 31 December 2017 and 2016.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2016: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2016: Nil).

14. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(Continued)*

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017, the Company did not pay consideration to any third parties for making available directors' services (2016: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporates and connected entities with such directors

During the year ended 31 December 2017, there is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2016: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company 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 (2016: Nil).

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one Executive Director of the Company (2016: one Executive Director), details of whose remuneration are set out in note 14. Details of the remuneration for the year of the remaining four (2016: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 **HK$'000**	2016 HK$'000
Basic salaries, other allowance and benefits in kind	**1,631**	6,575
Retirement benefit costs		
– Defined contribution retirement plans	**72**	48
Total	**1,703**	6,623

15. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2017 Number of individuals	2016 Number of individuals
Nil – 1,000,000	**4**	3
5,500,001 – 6,000,000	**–**	1
	4	4

No emoluments were paid to the Directors of the Company or the remaining four (2016: four) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during each of the two years ended 31 December 2017 and 2016.

16. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

17. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on loss attributable to owners of the Company of HK$17,399,000 (2016: HK$39,169,000) and the weighted average number of 16,292,603,184 ordinary shares (2016: the number of 16,270,685,376 ordinary shares) in issue.

	2017 Number of shares	2016 Number of shares
Weighted average number of ordinary shares (2016: number of ordinary shares)		
Issued ordinary shares at 1 January	**16,270,685,376**	16,270,685,376
Effect of conversion of convertible preference shares	**21,917,808**	–
Weighted average number of ordinary shares (2016: number of ordinary shares) at 31 December	**16,292,603,184**	16,270,685,376

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's loss attributable to owners of the Company.

17. LOSS PER SHARE *(Continued)*

(b) Diluted loss per share *(Continued)*

The Company has dilutive potential ordinary shares attributable to share options and convertible preference shares. The calculation of diluted loss per share in the current year does not assume the exercise of the share options and the conversion of convertible preference shares since their exercise would result in a decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2016	19,241	2,990	2,885	25,270	356	50,742
Exchange difference	(1,217)	(164)	–	(1,613)	(23)	(3,017)
Additions	358	4,351	–	950	622	6,281
Disposals	(47)	–	–	(678)	–	(725)
Transfer	–	(2,815)	–	2,815	–	–
At 31 December 2016 and 1 January 2017	**18,335**	**4,362**	**2,885**	**26,744**	**955**	**53,281**
Exchange difference	**1,381**	**300**	**–**	**2,030**	**25**	**3,736**
Additions	**1,750**	**6,319**	**–**	**205**	**–**	**8,274**
Transfer	**2,678**	**(8,177)**	**–**	**5,499**	**–**	**–**
At 31 December 2017	**24,144**	**2,804**	**2,885**	**34,478**	**980**	**65,291**
ACCUMULATED DEPRECIATION						
At 1 January 2016	3,243	–	2,848	9,113	204	15,408
Exchange difference	(244)	–	–	(676)	(14)	(934)
Charge for the year	872	–	36	2,447	34	3,389
Eliminated on disposals	(5)	–	–	(349)	–	(354)
At 31 December 2016 and 1 January 2017	**3,866**	**–**	**2,884**	**10,535**	**224**	**17,509**
Exchange difference	**334**	**–**	**–**	**894**	**18**	**1,246**
Charge for the year	**1,031**	**–**	**1**	**2,652**	**157**	**3,841**
At 31 December 2017	**5,231**	**–**	**2,885**	**14,081**	**399**	**22,596**
NET CARRYING AMOUNTS						
At 31 December 2017	**18,913**	**2,804**	**–**	**20,397**	**581**	**42,695**
At 31 December 2016	14,469	4,362	1	16,209	731	35,772

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated after taking into account their estimated residual value, using a straight-line method over the following rates per annum:

Buildings	Over the shorter of the term of the lease, or 15-20 years
Leasehold improvements	Over the shorter of the term of the lease, or 20%-33.33%
Furniture and fixtures	20%-33.33%
Machinery and equipment	6.6%-33.33%
Motor vehicles	10%-20%

Construction in progress represents land and building under construction and plant and equipment pending for installation in the PRC.

19. PREPAID LAND LEASE PAYMENTS

	2017 **HK$'000**	2016 HK$'000
Carrying amount:		
At 1 January	**31,128**	33,959
Exchange difference	**2,316**	(2,116)
Amortisation	**(705)**	(715)
At 31 December	**32,739**	31,128
Analysed for reporting purposes as:		
Current portion	**735**	683
Non-current portion	**32,004**	30,445
At 31 December	**32,739**	31,128

Prepaid land lease payments represent prepayments of land use rights premium to the PRC government authority. The Group's land use rights are located in the PRC for industrial purpose. The Group's land use rights are granted for a period of 50 years and are classified as long-term lease.

20. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**4,975**	8,356
Finished goods	**20,912**	29,884
Other consumables	**82**	141
Total	**25,969**	38,381

	2017 HK$'000	2016 HK$'000
Carrying amount of inventories sold	**499,352**	453,328
Reversal of write-down inventories	**(149)**	(677)
	499,203	452,651

The reversal of write-down of inventories made in current and prior years arose upon sale of those inventories.

21. TRADE AND BILLS RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**35,547**	35,173
Bills receivable	**–**	519
	35,547	35,692
Less: Provision for impairment	**(13,029)**	(9,438)
Total	**22,518**	26,254

The Group allows average credit period of 30 to 180 days to its customers. Receivables that were current relate to customers for whom there was no recent history of default. As at 31 December 2017, the Group has assessed the recoverability of the receivables past due and made a provision for impairment. The provision for impairment is made unless the Group has concluded that recovery is remote, in which case the unrecovered loss is written off against trade and bills receivables and the provision for impairment directly. The Group does not hold any collateral over these balances.

21. TRADE AND BILLS RECEIVABLES *(Continued)*

The ageing analysis of trade and bills receivables based on the invoice dates and net of provision for impairment, as at the reporting date, is as follows:

	2017 **HK$'000**	2016 HK$'000
0-30 days	**10,322**	16,366
31-60 days	**6,471**	2,189
61-90 days	**2,032**	2,798
91-180 days	**3,693**	4,901
Total	**22,518**	26,254

The movements in the provision for impairment of trade and bills receivables are as follows:

	2017 **HK$'000**	2016 HK$'000
At 1 January	**9,438**	7,496
Provision for impairment	**3,591**	1,942
At 31 December	**13,029**	9,438

No trade receivables were past due but not impaired in both years.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Prepayments for inventories	**3,984**	4,828
Other prepayments	**1,735**	2,355
Other receivables	**7,616**	763
Rental and utilities deposits	**761**	684
Total	**14,096**	8,630

During the year, an impairment loss on deposits, prepayment and other receivables of approximately HK$646,000 (2016: approximately HK$1,451,000). At 31 December 2017, the accumulated provision for impairment of deposits, prepayments and other receivables is HK$7,956,000 (2016: HK$7,310,000).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Wealth management products, designated as at fair value through profit or loss	**3,567**	1,419

Wealth management products were issued by a reputable bank in the PRC. The fair value of the wealth management products has been determined based on the quoted price from bank at the reporting date.

24. BANK BALANCES AND CASH

	2017 HK$'000	2016 HK$'000
Cash at bank	**5,319**	6,310
Cash on hand	**503**	154
Total	**5,822**	6,464

As at 31 December 2017, the balances that were placed with banks in the PRC amounted to approximately HK$5,208,000 (2016: approximately HK$6,067,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

Bank balances carry interest at market rates which range from 0.5% to 3% (2016: 0.5% to 3%) per annum.

25. TRADE PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**61,633**	57,244

25. TRADE PAYABLES *(Continued)*

The average credit period on purchases of goods ranges from 30 to 180 days. The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe. The following is an ageing analysis of trade payables based on the invoice date:

	2017	2016
	HK$'000	HK$'000
0-30 days	**18,367**	49,921
31-60 days	**2,746**	3,748
61-90 days	**39,084**	1,468
91-180 days	**360**	648
Over 180 days	**1,076**	1,459
Total	**61,633**	57,244

26. ACCRUALS AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Payroll and welfare payables	**4,723**	3,021
Accrued operating expenses	**6,486**	4,540
Receipts in advance from customers	**8,159**	5,946
Other tax payables	**1,135**	1,016
Accrued construction payment	**1,097**	1,095
Others	**1,246**	1,503
Total	**22,846**	17,121

27. AMOUNTS DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amounts due are unsecured, interest free and repayable on demand. The Directors consider that its carrying amount approximates its fair value.

28. BORROWINGS

	Notes	2017 HK$'000	2016 HK$'000
Bank loans, secured	(a)	**57,358**	53,284
Loan from an independent third party, unsecured	(b)	**2,570**	2,570
Total		**59,928**	55,854

Notes:

(a) It was secured by an independent third party and the pledge of the prepaid land lease payments with carrying amounts of approximately HK$17,138,000 (2016: approximately HK$18,554,000). All bank loans are denominated in Renminbi with variable interest rate from 4.1% to 5.0% (2016: 4.7% to 6.6%) per annum.

(b) Bearing interest at 1% above Hong Kong Prime Rate per annum.

29. LOANS FROM THE ULTIMATE HOLDING COMPANY

The loans were sub-ordinated in nature which were unsecured, interest bearing at 6.25% for both years.

30. SHARE CAPITAL – ORDINARY SHARES

	Notes	Number of shares of HK$0.0025 each	Amount HK$'000
Authorised:			
Balance as at 1 January 2016, 31 December 2016 and 31 December 2017		40,000,000,000	100,000
Issued and fully paid:			
Balance as at 1 January 2016, 31 December 2016 and 1 January 2017		16,270,685,376	40,677
Conversion of convertible preference shares	(a)	320,000,000	800
Balance as at 31 December 2017	(b)	16,590,685,376	41,477

Notes:

(a) On 6 December 2017, 320,000,000 of the convertible preference shares were converted into 320,000,000 ordinary shares of the Company by crediting the share capital of HK$800,000.

(b) The shares issued rank pari passu with other shares in issue in all respect.

31. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES

	Number of convertible preference shares of HK$0.0025 each	Amount
		HK$'000
Authorised:		
Balance as at 1 January 2016, 31 December 2016 and 31 December 2017	816,000,000	2,040
Issued and fully paid:		
Balance as at 1 January 2016	–	–
Shares issued pursuant to the loan capitalization	536,960,000	1,342
Balance as at 31 December 2016 and 1 January 2017	536,960,000	1,342
Conversion of convertible preference shares	(320,000,000)	(800)
Balance as at 31 December 2017	216,960,000	542

On 22 January 2016, the Company issued 536,960,000 convertible preference shares at the issue price of HK$0.05 per convertible preference share to the ultimate holding company in settlement of the loans from ultimate holding company of approximately HK$26,848,000 as at 31 December 2015 according to the subscription agreement dated 22 January 2016.

The convertible preference shares are non-redeemable, carry no voting right and each of the convertible preference share is convertible into one ordinary share at any time before the fifth anniversary of the issue date of convertible shares. The convertible preference shareholder is entitled to receive dividend pari passu with ordinary shareholders on an as converted basis.

32. EMPLOYEE RETIREMENT BENEFITS

The employees of PRC subsidiaries are members of central pension scheme organised by PRC municipal and provincial government authorities in the PRC. The PRC subsidiaries are required to make monthly contributions to these plans at a fixed percentage of the employee's basic salary.

The Group also operates a MPF scheme for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees.

The total expense recognised in the consolidated statement of profit or loss amounting to approximately HK$873,000 (2016: approximately HK$754,000) represents contribution payable to these plans by the Group at rates specified in the rules of the plans.

33. OPERATING LEASES COMMITMENTS

The Group as lessee

	2017 HK$'000	2016 HK$'000
Lease payments in respect of rented premises paid under operating leases during the year	**3,388**	3,188

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

	2017 HK$'000	2016 HK$'000
Within one year	**584**	2,657

Operating lease payments represent rental payable by the Group for its office premises in Hong Kong. Leases and rentals are negotiated and fixed respectively for an average term of two years.

34. PLEDGE OF ASSETS

The Group's prepaid land lease payments in the PRC with carrying amount of approximately HK$17,138,000 (2016: approximately HK$18,554,000) have been pledged to secure the bank loans and general banking facilities granted to the Group.

35. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Transactions with related parties

During the year, the Group entered into the following transactions with related parties. The transactions were carried out at estimated market prices determined by the Directors of the Company.

Name of related parties	Nature of transactions	2017 HK$'000	2016 HK$'000	Interested party	Relationship
Oriental Success Ventures Limited (Note)	Interest expenses	**1,251**	232	Lam Ching Kui	Director
Wai Chun Investment Fund (Note)	Interest expenses	**–**	7	Lam Ching Kui	Director
Wai Chun Holdings Group Limited	Rental expenses	**3,241**	3,188	Lam Ching Kui	Director

Note:

By way of an assignment of loan agreement dated 2 November 2016, the outstanding loan amount and loan facilities granted by the previous ultimate holding company Wai Chun Investment Fund were assigned to Oriental Success under the same terms and conditions.

(b) Outstanding balances with related parties

Details of the Group's balances with a non-controlling shareholder of a subsidiary and loans from the ultimate holding company as at the end of the reporting period are disclosed in note 27 and note 29 to the consolidated financial statements respectively.

Included in accruals, salary payables to Mr. Lam Ching Kui ("Mr. Lam") and Mrs. Lam, the spouse of Mr. Lam, are HK$2,591,000 (2016: HK$1,191,000) and HK$353,000 (2016: HK$142,500) respectively at 31 December 2017. Rental payables to Wai Chun Holdings Group is HK$2,856,000 (2016: Nil) at 31 December 2017.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management personnel remuneration

The remuneration of Directors of the Company and other members of key management personnel during the year were as follows:

	2017 **HK$'000**	2016 HK$'000
Short-term employee benefits	**2,560**	2,933
Defined contribution retirement plans	**45**	57
Total	**2,605**	2,990

For the year ended 31 December 2017, the Group effected the following material non-recurring transaction:

On 22 January 2016, the Company issued 536,960,000 convertible preference shares at the issue price of HK$0.05 per convertible preference share to the ultimate holding company in settlement of the loans from ultimate holding company approximately HK$26,848,000 as at 31 December 2015 according to the subscription agreement dated 22 January 2016.

36. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a share option scheme adopted by the shareholders of the Company on 22 July 2015 (the "Share Option Scheme"), the Company may, at their discretion, invite executive or non-executive director, employee (whether full-time or part-time), chief executive, substantial shareholder, consultant, professional and other adviser to take up options.

The subscription price of the Share Option Scheme will be determined at the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a share.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 10% of the total number of shares in issue as at the adoption date. Besides, the maximum 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 any other share option schemes of the Group in issue shall not exceed 30% of the relevant class of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period shall not exceed 1% of the total number of shares in issue.

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Options granted under the Share Option Scheme must be taken up within 30 days of the grant upon payment of HK$1.00 per grant.

As at 31 December 2017, the number of shares in respect of the options granted and remained outstanding under the Share Option Scheme was 699,639,467, representing 4.3% of the issued shares of the Company. As at the date of this report, the number of shares available for issue under the Share Option Scheme was 927,429,071, representing 5.7% of the issued shares of the Company.

Movements of the Company's share options held by consultants and an employee during the year ended 31 December 2017 are set out below:

	Number of share options						
Category of participants	As at 1 January 2017	Granted	Exercised	Aa at 31 December 2017	Date of grant	Exercise period	Exercise price HK$
Consultants	536,932,614	–	–	536,932,614	12 January 2016	12 January 2016 to 11 January 2021	0.0686
Employee	162,706,853	–	–	162,706,853	12 January 2016	12 January 2016 to 11 January 2021	0.0686
Total	699,639,467	–	–	699,639,467			
Exercise price	0.0686	–	–	0.0686			

On 12 January 2016, the Company granted a total of 699,639,467 share options under the Share Option Scheme to consultants and an employee of the Group. The exercise period of the options is 5 years from the date of grant of the options, i.e. from 12 January 2016 to 11 January 2021. The options will entitle the grantees to subscribe for a total of 699,639,467 new shares of HK$0.0025 each at an exercise price of HK$0.0686 per share.

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The fair value of the share options determined at the date of grant was calculated by independent valuer using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2016
Exercise price (HK$)	0.0686
Share price at the date of grant (HK$)	0.0660
Dividend yield (%)	–
Expected volatility (%)	93.245
Risk-free interest rate (%)	0.941
Expected life of options (years)	5

The binomial option model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The fair value of the share options granted during the year ended 31 December 2016 was approximately HK$23,228,000. The fair value per option granted was HK cents 3.32. The Group recognised share-based payment expenses of approximately HK$23,228,000 for the year ended 31 December 2016.

37. NON-CASH TRANSACTION

During the year ended 31 December 2016, the Company issued 536,960,000 Convertible preference shares at the issue price of HK$0.05 per convertible preference share in settlement of the loans from ultimate holding company approximately HK$26,848,000 as at 31 December 2015 according to the subscription agreement dated 22 January 2016.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to a non-controlling shareholder of a subsidiary HK$'000	Loans from the ultimate holding company HK$'000	Borrowings HK$'000	Total HK$'000
At 1 January 2017	14,561	15,049	55,854	85,464
Proceeds from loans	–	8,754	55,069	63,823
Repayment of loans	(5,524)	–	(55,011)	(60,535)
Finance costs	–	1,251	–	1,251
Foreign exchange translation	866	–	4,016	4,882
Total	9,903	25,054	59,928	94,885

39. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2017 HK$'000	2016 HK$'000
Non-current asset			
Interests in subsidiaries	41	**378**	438
Current assets			
Inventories		**82**	142
Deposits, prepayments and other receivables		**232**	141
Amounts due from subsidiaries (Note a)		**2,380**	5,257
Bank balances and cash		**30**	28
		2,724	5,568
Current liabilities			
Accruals and other payables		**5,310**	5,046
Borrowings		**2,570**	2,570
Amounts due to a subsidiary (Note a)		**342**	419
		8,222	8,035
Net current liabilities		**(5,498)**	(2,467)
Total assets less current liabilities		**(5,120)**	(2,029)
Non-current liability			
Loans from an ultimate holding company	29	**24,997**	15,049
Net liabilities		**(30,117)**	(17,078)
Capital and reserves			
Share capital	30	**41,477**	40,677
Convertible preference shares	31	**542**	1,342
Reserves	40	**(72,136)**	(59,097)
Capital deficiency		**(30,117)**	(17,078)

Note a: The amounts due from/to subsidiaries are unsecured, interest free and had no fixed term of repayment.

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 29 March 2018 and is signed on its behalf by:

Mr. Lam Ching Kui	**Mr. Chan Chun Wai, Tony**
Director	*Director*

40. RESERVES

The Company

	Share premium HK$'000	Other reserves HK$'000	Share option reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	184,476	62,934	–	(312,294)	(64,884)
Total comprehensive expense for the year	–	–	–	(42,947)	(42,947)
Shares issued pursuant to the loan capitalisation	25,506	–	–	–	25,506
Recognition of equity-settled share-based payments	–	–	23,228	–	23,228
At 31 December 2016 and 1 January 2017	209,982	62,934	23,228	(355,241)	(59,097)
Total comprehensive expense for the year	–	–	–	(10,892)	(10,892)
At 31 December 2017	209,982	62,934	23,228	(366,133)	(69,989)

41. SUBSIDIARIES

(a) Particulars of principal subsidiaries of the company

Name of company	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2017	2016	**2017**	2016	
Wai Chun Incorporation Limited	Hong Kong	1,000 ordinary share of HK$1 each	**100%**	100%	**-**	–	Trading of footwear
Wai Chun Industrial (HK) Limited	Hong Kong	1,000 ordinary share of HK$1 each	**-**	–	**100%**	100%	Investment holding
Great Luck Limited	Macau	Registered capital MOP25,000	**-**	–	**100%**	100%	General trading
Weifang Century-Light Biology Science Co., Ltd. ("Weifang Century-Light")	PRC	Registered capital USD2,929,000	**-**	–	**51%**	51%	Manufacturing of modified starch and other biochemical products
Weifang Jia You You Zhi Co., Ltd. ("Weifang You Zhi")	PRC	Registered capital RMB10,000,000	**-**	–	**51%**	51%	Manufacturing of modified starch and other biochemical products

The above table lists the subsidiaries of the Group which, in the opinion of the Directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors of the Company, result in particulars of excessive length.

41. SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017** **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000
Weifang Century-Light and its subsidiary	PRC	**49%**	49%	**(3,343)**	(2,877)	**1,287**	5,305

Note:

Summarised financial information in respect of the Weifang Century-light and its subsidiary that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

41. SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

	Weifang Century-light and its subsidiary	
	2017 HK$'000	2016 HK$'000
Current assets	**71,659**	80,196
Non-current assets	**74,168**	65,555
Current liabilities	**(143,201)**	(136,859)
Equity attributable to owners of Weifang Century-Light Group	**1,339**	4,535
Non-controlling interests	**1,287**	4,357
Revenue	**478,749**	430,630
Expenses	**(485,569)**	(436,501)
Loss and total comprehensive expenses for the year attributable to:		
Owners of the Company	**(3,195)**	(3,427)
Non-controlling interests	**(3,070)**	(3,292)
	(6,265)	(6,719)
Net cash generated from operating activities	**18,507**	678
Net cash used in investing activities	**(10,149)**	(5,896)
Net cash (used in) generated from financing activities	**(8,962)**	2,330
Net decrease in cash and cash equivalents	**(604)**	(2,888)

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm to the current year's presentation.

Five Years Financial Summary

RESULTS

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**512,133**	464,807	376,808	394,116	373,582
Loss before income tax	**(20,631)**	(41,967)	(25,673)	(17,693)	(29,521)
Income tax expense	**(111)**	(79)	–	(11)	(594)
Loss for the year from continuing operations	**(20,742)**	(42,046)	(25,673)	(17,704)	(30,115)
Loss for the year from discontinued operation	**–**	–	–	–	(677)
Non-controlling interests	**(3,070)**	(3,293)	(6,077)	(1,820)	(8,622)

ASSETS AND LIABILITIES

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**147,406**	148,048	148,902	139,935	210,124
Total liabilities	**(179,425)**	(159,881)	(167,916)	(131,990)	(178,210)
	(32,019)	(11,833)	(19,014)	7,945	31,914
Non-controlling interests	**(1,287)**	(4,357)	(7,650)	(14,357)	(22,398)
(Capital deficiency) equity attributable to owners of the Company	**(33,306)**	(16,190)	(26,664)	(6,412)	9,516
Loss per share (HK cents)	**(0.11)**	(0.24)	(0.12)	(0.10)	(0.14)