GOAL FORWARD HOLDINGS LIMITED

展程控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8240

ANNUAL REPORT 2017

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Chi Ching *(Chairman)*
Ms. Wu Shuk Kwan *(Chief Executive Officer)*

Non-executive Director
Mr. Wong Chung Yeung

Independent non-executive Directors
Ms. Li On Lei
Mr. Ng Ki Man
Mr. Lo Siu Kit

AUDIT COMMITTEE
Mr. Ng Ki Man *(Chairman)*
Ms. Li On Lei
Mr. Lo Siu Kit

NOMINATION COMMITTEE
Mr. Liu Chi Ching *(Chairman)*
Ms. Li On Lei
Mr. Ng Ki Man
Mr. Lo Siu Kit

REMUNERATION COMMITTEE
Ms. Li On Lei *(Chairman)*
Mr. Ng Ki Man
Mr. Lo Siu Kit
Mr. Liu Chi Ching

COMPLIANCE OFFICER
Ms. Wu Shuk Kwan

COMPANY SECRETARY
Ms. Yim Sau Ping

AUTHORISED REPRESENTATIVES
Mr. Liu Chi Ching
Ms. Yim Sau Ping

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STOCK CODE
8240

Dear Shareholders,

It is my great honor to present the annual report of Goal Forward Holdings Limited (the "Company") and its subsidiaries (together the "Group"). On behalf of the Board of Directors (the "Board"), I wish to begin by expressing my sincerest gratitude to our shareholders and stakeholders for their confidence and support in the Group's direction and development, alongside with the team's devotion to transform and escalate the Company, we shall continue to perform and take the company to the forefront among local companies and maximize values for our shareholders.

OVERVIEW

2016 was a challenging year but yet filled with delights. The Group has successfully established a new milestone and was listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the " Stock Exchange") on the 13 October 2016 (the "Listing"). With the capital raised by the support of the shareholders, the Listing provides a great platform for the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in the vegetables and fruits supply services industry.

While the food services sector of Hong Kong was oscillated by the continuous pressure of operating costs, together with volatile political situation over the past year which both impact the growth for food service operators, notwithstanding the tough environment and being a resilient company, the Group was able to sustain its competitiveness and generate a total revenue of approximately HK$166.3 million for the year ended 31 March 2017 as compared to approximately HK$166.2 million for the year ended 31 March 2016, while the drop in net profit this year was mainly contributed by the non-recurring listing expenses. Excluding the listing expenses, the Group's net profit for this year would have been HK$17.5 million.

PROSPECT

The upcoming fiscal year may not be an easy one for the Hong Kong market. The economy remains uncertain and while high rental prices and labour shortage of working force persist, to seek for increment in market shares, the Group will ride on the opportunity in further strengthening our products and services in order to provide an alternative for food service operators to rearrange its fundamental resources. The Group will also aim to expand our presence in the Hong Kong market by exploring different market segments and business opportunities that enable the Group to develop further.

Moreover, the Group will continue to explore ways to improve operation efficiency and retain profit margin by assessing our brand positioning, product offerings and process flow. While the Group expects raw materials costs to remain elevated, we will continue to manage these costs through strategies including to improve raw materials management and increase productivity at our production facilities by introducing new equipment and refine the processes.

With the foregoing plans, we believe with the Group shall sustain its competitiveness within the market and shall continue to strive for success.

APPRECIATION

I would like to take this opportunity to extend my sincere gratitude to all shareholders, investors and business partners for their continuous support to the Group. I would also like to express my appreciation to all fellow Directors, management and staff for their contributions to achieve the major milestones of the Group to date.

Liu Chi Ching
Chairman
Hong Kong
19 June 2017

BUSINESS REVIEW

The Group is a food ingredients supplier with a focus on the provision of vegetables and fruits to food service operators in Hong Kong. It supplies food ingredients to over 700 customer outlets and offers more than 1,300 types of food ingredients to the customers.

For the year ended 31 March 2017, the Group recorded a net profit of approximately HK$3.4 million as compared to net profit of approximately HK$11.1 million for the same period in 2016. The Directors are of the view that the reduction of the Group's net profit during the year ended 31 March 2017 was mainly attributable to the non-recurring listing expenses, setting that aside the Group's net profit for the year ended 31 March 2017 would have been HK$17.5 million. In view of the steady revenue for the year ended 31 March 2017 as compared to the same period in 2016, and the latest negotiations with existing and potential new customers, the Directors are of the opinion that there has been no fundamental deterioration in the commercial and operational viability in the Group's business.

OUTLOOK

The Shares of the Company were listed on GEM on 13 October 2016 by way of placing. The Directors believe that the Listing could enhance the profile and recognition of the Group and its products and services and hence further strengthen the existing and potential customers' and suppliers' confidence in the Group. The net proceeds from the Placing will provide financial resources to the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in the vegetables and fruits supply services industry.

The Group is in the course of negotiation with existing customers and potential new customers, including groups with scalable size of operations, expressing intentions for inviting us to expand the existing supply scope or to parallel support their new outlets development. In addition, with the success of exploring new sources of vegetables and fruits supplies, the Group shall sustain its competitiveness within the market and shall continue to strive and achieve the business objectives as stated in the prospectus of the Company dated 30 September 2016 (the "Prospectus").

Revenue

The Group's revenue increased from approximately HK$166.2 million for the year ended 31 March 2016 to approximately HK$166.3 million for the year ended 31 March 2017, primarily attributable to the steady supplies of customer outlets and variations in product mix.

Cost of sales

The Group's cost of sales for the year ended 31 March 2017 was approximately HK$131.2 million, representing a decrease of approximately 6.6% from approximately HK$140.5 million for the year ended 31 March 2016, primarily attributable to the increased efforts in procurement and better purchase cost management, including (i) closely monitor products that were of higher purchase volume among the Group; (ii) procure products directly from overseas' farms or suppliers; and (iii) also improve of operation management.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2017 were approximately HK$35.1 million, representing an increase of approximately 36.1% from approximately HK$25.8 million for the year ended 31 March 2016. The Group's gross profit margin for the year ended 31 March 2017 was approximately 21.1%, representing an increase of approximately 5.6 percentage points as compared to approximately 15.5% for the year ended 31 March 2016. The increase in gross profit was mainly due to the combined effect of (i) the increased efforts in procurement and better purchase cost management as explained above and (ii) different mix of goods procured by customer.

Selling and administrative expenses

The Group's selling and administrative expenses for the year ended 31 March 2017 were approximately HK$27.5 million, representing an increase of approximately 137.1% from approximately HK$11.6 million for the year ended 31 March 2016, primarily due to the non-recurring listing expenses incurred during 31 March 2017 and the higher employee benefit expenses to retain high caliber employees and support the business growth.

Finance costs

Finance costs of the Group increased by approximately 41.9% from approximately HK$587,000 for the year ended 31 March 2016 to approximately HK$833,000 for the year ended 31 March 2017. The increase in finance costs was mainly attributable to charges for remortgage of land and buildings during the year ended 31 March 2017.

Share of loss of a joint venture

During the year ended 31 March 2017, the Group recorded share of losses of a joint venture in an aggregate of HK$147,000 (31 March 2016: Nil) mainly because the joint venture was in the early stage of developing its business.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 March 2017 amounted to approximately HK$3.4 million, representing a decrease of approximately 69.4% as compared with profit of approximately HK$11.1 million for the year ended 31 March 2016. It was mainly due to the non-recurring listing expenses, gross profit and other income for reasons mentioned above.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress up to 31 March 2017.

Business plan as set out in the Prospectus	Progress up to 31 March 2017
Acquisition of new processing base, facilities and equipment	
– Downpayment for acquiring additional industrial premises of approximately 9,000 to 10,000 sq.ft. in the industrial zone in New Territories as a new processing base of our Group	The Group has been in search of suitable industrial premises due to limitation of sites that are of reasonable value and fit for the Group's operations
– Fitting out, renovation and installation of the new processing base	As the reason explained above and deferred
– Acquire additional facilities and machines, such as washing and drying machines, various cutting machines and chemical detection devices	As the reason explained above and deferred
– Evaluate the efficiency of new processing base and assess for our need for additional facilities and machines	As the reason explained above and deferred
Expansion of logistic team	
– Acquire two additional chilled 5.5 tonne trucks and a non-chilled 5.5 tonne truck	As the reason explained below of labour force shortage and the acquire schedule is deferred
– Recruit approximately six additional distribution staff responsible for driving and delivering	Shortage of labor force with distribution staff in particular persists, led to the interruption of logistics team expansion plan.
Enhancement of sales channels	
– Enhance our sales channels such as upgrading of mobile sales application and developing an internet sales platform	Enhance of sales channel requires modifications made to the foundation of the existing system application with unexpected delays occur.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Group at the time of its listing on GEM on 13 October 2016 through a placement of 320,000,000 shares of HK$0.01 each in the share capital of the Group at the price of HK$0.225 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$47.8 million. Up to 31 March 2017, the net proceeds from the Listing had been applied as follows:

	Planned use of proceeds up to 31 March 2017 HK$ million	**Actual use of proceeds balance up to 31 March 2017 HK$ million**
Acquisition of new processing base, facilities and equipment	27.4	–
Further strengthening our manpower	1.7	0.2
Expansion of logistic team	–	–
Enhancement of sales channels	0.1	–
General working capital	–	–
Total	29.2	0.2

The unutilised net proceeds of approximately HK$23.70 million was originally planned to finance the purchase of additional industrial premises, facilities and equipment as a new processing base of our Group. Given the rising property prices in Hong Kong, the Group has yet to be able to identify a suitable premises unit since the Listing Date.

The net proceeds of approximately HK$1.7 million was originally planned to expand the logistic team. Two Chilled trucks were acquired subsequent to the reporting period, amount to approximately HK$1.1 million as the Group was only able to identify suitable trucks and alleviate the effects of labour force shortage after the reporting period.

We will endeavour to achieve the scheduled completion times as set out under the section headed “Business Objectives and Future Plans” in the Prospectus.

CAPITAL STRUCTURE

The Group’s shares were successfully listed on GEM on Date of Listing. There has been no change in the capital structure of the Group since the Listing Date and up to date of this report. The capital of the Group only comprises of ordinary shares.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded the liquidity and capital requirements principally from cash generated from operations and bank borrowings.

As at 31 March 2017, the Group had borrowings of approximately HK$18.8 million which was denominated in Hong Kong Dollars (31 March 2016: HK$19.0 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations and purchase of the existing premises, while the liability of the finance lease obligations was for the acquisition of motor vehicles to support its operations.

As at 31 March 2017, the Group had approximately HK$68.9 million in bank balance and cash (31 March 2016: approximately HK$9.5 million). The Group had no bank overdraft as at 31 March 2017 (31 March 2016: Nil). The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

GEARING RATIO

As at 31 March 2017, the gearing ratio of the Group was approximately 26.0% (31 March 2016: 89.0%). The decrease in gearing ratio was due to strengthening of the Group's capital structure through the fund raised in the IPO of the Company. Gearing ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings. Total capital is calculated as total equity as shown in the consolidated statement of financial position.

CHARGE ON GROUP ASSETS

As at 31 March 2017, the Group has pledged its properties and motor vehicle with net book value amounted to approximately HK$16,457,000 (31 March 2016: HK$17,005,000) and approximately HK$217,000 (31 March 2016: HK$341,000), respectively, for certain banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

Save as disclosed in this annual report and the Prospectus, there was no significant investment held, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2017. There is no other plan for material investments or capital assets as at 31 March 2017.

FOREIGN EXCHANGE EXPOSURE

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is food ingredients supplier and most of its transactions settled in Hong Kong Dollars. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

TREASURY POLICIES

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2017 (31 March 2016: Nil).

COMMITMENTS

The contract commitments mainly involve rental payable by the Group in respect of the processing facilities, parking lots and Director quarter under non-cancellable operating leases. As at 31 March 2017, the Group's operating lease commitments were approximately HK$1,050,000 (31 March 2016: HK$922,000).

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 March 2017 (31 March 2016: Nil).

In May 2016, the Operating Company, a wholly-owned subsidiary of the Company declared a special dividend in the sum of approximately HK$17,000,000 to its then shareholder, which was settled by way of offsetting its then outstanding amounts due from the Controlling Shareholder of approximately HK$15,965,000, and with the remaining balance of approximately HK$1,035,000 settled by cash.

INFORMATION ON EMPLOYEES

As at 31 March 2017, the Group had 67 employees working in Hong Kong (31 March 2016: 66). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including remuneration of Directors and mandatory provident funds contributions) for the two years ended 31 March 2016 and 2017 amounted to approximately HK$12.5 million and HK$14.5 million respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The Group is exposed to credit risk primarily arising from trade receivables and bank deposits. During the year ended 31 March 2016, the Group has also had credit exposures to amount due from Mr. Liu, which was fully settled during the year ended 31 March 2017.

Trade receivables are substantially from local food service operators with good collection track records with the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risks. The Group is subject to concentration of credit risk with respect to trade receivables as 38.4% and 45.5% of our total trade receivables were due from our largest five clients of trade receivables as at 31 March 2017 and 2016 respectively. In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, the management believes that there is no material credit risk inherent in the Group's outstanding receivable balances due from these customers. For the two years ended 31 March 2017 and 2016, the Group has made provision of impairment of trade receivables amounted to approximately HK$19,000 and approximately HK$6,000, respectively based on assessment of the credit history of our customers and the current market condition.

Bank deposits are mainly deposits with banks with good credit ratings assigned by international credit-rating agencies or with good reputation. For bank deposits, the Group adopts the policy of dealing only with high credit quality counterparties.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of the end of each reporting period in relation to each class of recognised financial assets was the carrying amounts of those assets as stated in the statement of financial position. For details of credit risk, please refer to note 3.1(a) to the consolidated financial statements.

Liquidity risk

99.5% and 99.5% of the Group's financial liabilities were due within the next 12 months or carried a repayment on demand clause from the end of each reporting period for the two years ended 31 March 2017 and 2016, respectively. Based on the agreed scheduled repayments set out in the loan agreements of bank borrowings with a repayment on demand clause, 48.3% and 39.0% of the Group's financial liabilities were matured at more than 1 year from the end of each reporting period for the two years ended 31 March 2017 and 2016, respectively. The Group manages the liquidity risk by maintaining sufficient cash and banking facilities to enable the Group to meet the Group's normal operating and capital commitments. For details of our liquidity risk, please refer to note 3.1(b) to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has implemented a wide variety of green measures, including responsible use of resources, energy saving program, waste management and carbon emissions reduction to alleviate the intensity of environmental impact to the community. Environmental considerations are always an integral part of its decision-making process and the Group believes by focusing on reducing resource consumption during operation and engaging the community in its work, it can act as one of the catalysts for a sustainable future. To help conserve the environment, the Group implements green practices such as papers are reused and recycled, paper waste is separated from other waste for easier collection, recycle paper waste instead of direct disposal at landfill, reduce energy consumption by replaced majority of the lighting system of the processing factory with LED lights and switching off air conditioning and electrical appliances upon used. The Group's operations were in compliance in all material respects with currently applicable local environmental protection laws and regulations in Hong Kong during the year.

For details of environmental, social and governance performance of the Group, please refer to the environmental, social and governance report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the year under review, there was no material or significant dispute between the Group and its suppliers, customers and/or stakeholders.

INTRODUCTION

Goal Forward Holdings Limited (together with its subsidiaries, the "Group") is one of the leading food ingredient supplier specialising in the provisions of vegetables and fruits to food service operators in Hong Kong. Since its establishment, environment consciousness is embedded in its corporate philosophy and reflected in its day-to-day operations. The Group recognises the importance of environmental conservation as it believes that healthy and fertile soil is the foundation of healthy food production. To raise the bar, the Group prepares this very first Environmental, Social and Governance (the "ESG") report to highlight its environmental and social performance that contribute to sustainable development. The report content covers the period from 1st April 2016 to 31st March 2017 unless otherwise stated.

The Group's ESG report includes the disclosure of its ESG performance of the headquarter office, the warehouse, the logistics centre and the processing factory. The Group's core business involves the provision and processing of local and imported vegetables, fruits and food ingredients to catering operators in Hong Kong.

VISION AND MISSION ON ENVIRONMENT, SOCIAL AND GOVERNANCE

The Group is committed to developing and managing its business in an environmentally responsible way. Environmental considerations are always an integral part of its decision-making process and business culture. As a link connecting the food supply sector with consumers, the Group believes that by focusing on reducing resource consumption during operation and engaging the community in its work, it can act as a catalysts for a sustainable future.

To address the sustainability challenges, the Group focuses on environmental awareness promotion among employees, as they are the key to improve the environmental performance of the Group. In order to minimise the environmental impact from its operations, the Group has implemented a wide variety of green measures, including responsible use of resources, energy saving program, waste management and carbon emissions reduction to alleviate the environmental impact to the community.

The Group also cares about the socially vulnerable members of the community by hiring people with disabilities. The Group aims to develop and make the best use of the skills of its employees to benefit both the staff and the Group's businesses.

STAKEHOLDERS' ENGAGEMENT

Long-term relationships and effective communication with stakeholders are important to the Group's business development. In order to maintain strong engagement with various stakeholders, the following communication channels are utilised to help stakeholders in understanding the Group's work and development, as well as to keep them informed with up-to-date information.

Stakeholders	Communications Methods
Community members	Corporate website
Customers	Service contract
	Customer service hotline
	Comments and complaint channels
	Corporate website
Employees	Notices and circulars
	Team briefings
	Staff meetings
	Performance appraisals
Investors and Shareholders	Announcement and circulars
	Annual general meeting and notices
	Annual reports, financial statements and announcements
	Corporate website
Suppliers	Service contract
	Supplier assessment and evaluation
	Site Inspection

ENVIRONMENTAL PERFORMANCE

To provide meaningful information for this ESG report, the Group discloses its carbon footprint to fulfil its corporate social responsibility. The carbon footprint is defined as the total amount of direct and indirect emissions of Green House Gases (GHGs) expressed in terms of equivalent amount of Carbon Dioxide (CO_2) emission.

As an enterprise specialising in food ingredients supply particularly in vegetables and fruits, the Group's production does not contribute to any air, water, and land pollutions which are regulated under local laws and regulations. There was also no hazardous waste produced by the Group during the reporting period.

Comprising headquarter office, warehouse, logistic centre and processing factory, the Group's operations in Hong Kong cover a total floor area of 1,192.10 m^2 and accounted for 100% of the Group's emissions.

TYPE OF EMISSIONS

Green House Gases

There were 399.57 tonnes of carbon dioxide equivalent (tCO_2-eq) GHGs (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation during the reporting period. With the total operation area of 1,192.10 m^2, the total annual emission intensity due to energy usage was 0.335 tCO_2-eq/m^2.

The major source of GHGs emission generated by the Group derived from the electricity consumption of the processing factory, it accounted for 316.06 tCO_2-eq.

The Group handles a wide variety of fresh vegetables, fruits and food ingredients from around the world which requires timely handling and proper storage, therefore the processing factory needs to operate 24 hours daily with employees working in shifts.

Different sizes of refrigeration rooms are set up and are operated at different temperatures to keep vegetables and fruits at their optimal quality which constituted a considerable amount of electricity consumption. In addition, lighting and air conditioning for a safe and comfortable working environment throughout the day also contribute to a significant amount of electricity consumption.

Petroleum and diesel used by the Group's own vehicle contributed to 46.22 tCO_2-eq GHGs, which accounted for 11.57% of the Group's total GHGs emission.

Apart from slicing, sorting and packing, food processing also involves a large amount of washing and peeling work. Water effluent is observed during operation and is collected through proper sewage treatment. Yet, the GHGs emission generated from water usage and sewage treatment was minimal, which was 4.48 tCO_2-eq GHGs.

Paper usage is another significant source of GHGs emission. Due to the huge number of orders received, paper products including tags and labels are frequently used for ordering, archiving, and invoicing purposes. Approximately 6,834.85 kg of paper related products were consumed, which accounted for 32.81 tCO_2-eq GHGs. The Group has implemented the following paper-saving initiatives:

- Papers are reused and recycled in practice
- Paper waste is separated from other waste for easier collection
- Recycle paper waste instead of direct disposal at landfill

Non-hazardous Waste

Non-hazardous waste produced from operations includes food, domestic waste and packaging materials disposed of from the processing factory and the logistics centre.

- Food Waste

  Food waste generated from expired, spoilage ingredients, or ordinary end cuts upon processing contributes to a significant amount of waste disposal. These food wastes are disposed of together with other domestic waste from the Group.

  The Group donates imperfect vegetables and fruits, such as those with appearance issue or close to shelf life, to a local food rescue organisation "Food Angel". The donated food will then be turned into meals and be redistributed to serve the underprivileged communities in Hong Kong. This initiative not only aims to help the Group in avoiding unnecessary food waste, but it also aims to alleviate poverty and hunger issue in the community.

- Packaging Waste

  Vegetables, fruits and food ingredients are packed and received in bulk, which are then repacked according to the needs of the customers. As a result, packaging waste is generated from the operation process. Approximately 10.8 tonnes of packaging waste were recycled and disposed of during the reporting period. Most of the packaging waste is not identified as hazardous since it is mainly plastic or paper waste. Such waste is classified and separated for local recycling companies' collection and disposal. In order to achieve waste reduction and promote recycling, the Group has planned to develop a more efficient method for better recycling and reuse of Styrofoam and plastic containers. Recycling plastic is difficult especially when the plastic is contaminated by food waste, or the package is made up of several layers of different plastic materials. The Group is looking for reliable recycling partners to handle plastic waste in a more effective and efficient way, therefore to reduce the amount of plastic waste being disposed of at landfills.

USE OF NATURAL RESOURCES

The total electricity consumption by the Group during the reporting period was 585,292.00 Kilowatt-hour (kWh), with an energy intensity of 490.98 kWh/m^2. The Group has adopted various effective energy saving measures since 2015 to reduce electricity consumption and enhance energy efficiency in the long run. For instance, majority of the lighting systems in the processing factory were replaced with LED lights, resulting in a 40% reduction of the overall electricity consumption.

The total consumption of petroleum and diesel for the Group's owned fleet was 17,424.20 litres, contributed to 46.22 tCO_2-eq GHGs.

The total fresh water consumption was 6,132.00 cubic meters (m^3), which was mainly used by the processing factory. As a socially and environmentally responsible corporation, the Group strives to conserve water in its day-to-day operations.

Carbon Emission Table:

Scope of greenhouse gas emissions	**Emission sources**	**Emission (in tCO_2-eq)**	**Distribution**
Scope 1			
Direct Emission	Consumption of Unleaded Petroleum and Diesel by the Group's owned fleet (17,424.20 litres)	46.22	11.57%
Scope 2			
Indirect Emission	Consumption of Purchased Electricity (585,292.00 kWh)	316.06	79.10%
Scope 3			
Other Indirect Emission	Disposal of Paper Waste (6,834.85 kg)	32.81	
	Water Usage and Sewage Treatment (6,132.00m^3)	4.48	9.33%
Total		**399.57**	**100.00%**

SOCIAL PERFORMANCE

Employment

As at 31 March 2017, a total of 67 employees was employed by the Group. Employees were remunerated according to their work performance, ability and efficiency. In addition to basic salaries, retirement scheme, annual leaves, employment compensation insurance, staff benefits including attendance award, shift allowance, sales commission and discretionary bonus were implemented. The remuneration policy of the Group is reviewed annually with reference to the individual performance of employees, financial performance of the Group, Employment Ordinance and the market trend.

Employee Health and Safety

The Group cares about the well-being of the employees through adopting various occupational health and safety measures. Specific instructions and guidelines on employees' health and safety procedure are developed and communicated in the processing factory through briefings, notices and training programs to promote and enhance safety awareness and practices among the employees.

Employee Development and Training

Employees are regarded as the most important and valuable asset of the Group. The objective of the Group's Human Resource and Administration Management is to reward and recognise well-performing staff by a sound performance appraisal system with appropriate incentives, and to promote career development through appropriate trainings and provide opportunities within the Group for career advancement. The Group provides various trainings to fulfil different job requirements for different employees to ensure they are comfortable and competent at work.

Labour Standards

There is no child nor forced labour in the Group's operations as it is in compliance with the Employment Ordinance – Chapter 57 of the Laws of Hong Kong and the Provisions on the Prohibition of Using Child Labour in terms of employment management. The recruitment process is strictly abided by the guidelines of the Group's Human Resource and Administration Department which all necessary data related to employment is verified prior to any employment engagement.

Equal Opportunity

The Group provides equal opportunities for employees with respect to recruitment, training and development, job advancement, and compensation and benefits. The employees would not be discriminated or deprived of such opportunities on the basis of gender, ethnicity, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law. The Group also appreciates the importance of cultural diversity in its development and hence employs employees in different ages and ethnicities.

Supply Chain Management

Sound supply chain management ensures the sustainability of the Group's business operations and development. Food safety and quality are the top priorities throughout the supply chain management of the Group. Multiple layers of precautionary measures are undertaken to guarantee the safety and quality of food ingredients throughout the supply chain from the selecting, sourcing, storage and delivering processes.

- Procurement

  The Group is committed to sourcing food products that meet safety and health requirements. Careful attention is given to ensure each supplier and business partner's operational and product standards are abided by local and international laws and regulations. The Group's procurement policy is to select suppliers that offer reasonable price, quality assurance, prompt delivery and stable supply so that the standards of its operations will not be compromised. As food ingredients are sourced from Hong Kong, China and various countries, stringent rules must be applied to the sourcing protocols. Suppliers are selected by assessment, evaluation and site inspection including the evaluation of production, non-production, employees, product storage facilities and documentation and record keeping standard. In addition, the Group has employed an Inventory Control Management Policy to ensure food are procured and received at the appropriate time and being stored at the best suitable temperature and time period.

- Product Responsibility

  Consumers are conscious of the safety and quality of the food they consume, it is the Group's commitment to place a strong emphasis on quality control, and stringent quality control procedures are implemented by the Quality a Control Department throughout the food processing operations. Furthermore, as stipulated in the Group's Food Safety Policy, food safety from farm to fork is the top priority of the Group. The Food Safety team is formed to ensure the overall food safety protocols are well monitored and maintained. With the involvement of the management as the core members, the team is responsible for:

- Determining the business operations and safety assurance procedures and protocols
- Formulating and reviewing HACCP plan
- Monitoring the implementation of HACCP plan
- Approving documents relating to ISO 22000
- Developing employees' training program
- Verifying the operation of ISO 22000
- Assessing the appropriateness and effectiveness of ISO 22000 regularly
- Reporting to the top management on the effectiveness of ISO 22000

The Group is currently sourcing products from 29 major suppliers around the globe. Suppliers' performance are evaluated regularly by the Procurement Department and verified by a member of the management. The Group obtained HACCP and ISO 22000 certifications for the food processing factory in Hong Kong.

Confidentiality Policy

To preserve the confidentiality of all personal data provided by any relevant parties (e.g. customers, business partners, employees and job applicants) through writing, email, fax or any other means, the Group has prepared a Privacy Policy and is strictly abided to the regulation in the collection, disclosure, usage, retention, and storage of data to ensure data integrity and safety as stipulated by the Personal Data (Privacy) Ordinance of Hong Kong. Customers and business partners' personal data would not be disclosed and is collected when it is required to understand the needs to conduct business such as providing better products and services. The data may be passed to members of the Group and respective agents only when it is necessary for the related businesses. No personal data would be used for marketing purpose except for business communications through the Group's official website and email. The privacy and personal data of employees are protected and updated regularly. Besides, all personal information of unsuccessful job applicants is destroyed after the recruitment exercise when no longer required.

Anti-corruption – Whistleblowing Policy

In order to uphold the highest standards of transparency, integrity and accountability, therefore to conduct business in a fair and honest manner, the Group has established confidential channels for fraud reporting. For those who have business relations with the Group, such as business partners, suppliers, employees, and members of the public, can file reports in respect of fraud, unethical conduct (such as corruption or bribery), or actual or potential breach of law and/or company policy, without fear of being persecuted, discriminated against or at a disadvantage.

The Group supports and encourages employees to raise concerns without fear of reprisals, a comment box is placed at a particular location outside the processing factory for reporting purpose. Alternatively, email to comment@cyfood.com.hk is also available to allow a more convenient method for comment submission and reporting. The reporting channels are independently supervised by the Group's internal audit committee to ensure the identity of whistleblowers and submitted information are kept confidential and not being disclosed. However, the Group encourages whistleblowers to indicate their identity and provide contact details for communication purpose. The Group will maintain the confidentiality of the whistleblower as a result of the investigation, or in accordance with the relevant regulatory or executing agency. The Group warrants that any person who makes a genuine and appropriate complaint under this policy will be treated fairly. The Group reserves the right to take appropriate action against any person who conducts or threatens to retaliate against the whistleblower.

Conflict of Interest

The Group has devised the Conflict of Interest Management Policy to protect the benefits of the Group and its employees, and at the same time ensure fairness in competition. The policy stipulated that all directors and employees should seek the approval from the Chief Executive Officer if certain investment or business may have conflict between personal interest and the professional official duties in the Group. A situation in which employees exercise authority, influences decisions and actions or gains access to valuable information with his profession in the Group to achieve private and personal gain is strictly prohibited. The policy also requires directors and senior management to declare any conflict of interest by completing the require form and submit to Human Resources and Administration Department every year. In the reporting period, there has been no legal case concluded against the Group in Hong Kong.

Community Investment

Apart from donating vegetables and fruits to a local food rescue organisation "Food Angel", the Group is constantly seeking ways to support community programs to build a stronger connection with its stakeholders and community members.

FUTURE APPROACH TOWARDS SUSTAINABLE DEVELOPMENT

The Group has conducted the ESG reporting in accordance with the HKEx Environmental, Social Governmental Reporting Guide (Appendix 20 of the GEM Listing Rules), all the information available during the reporting period are included in this report. The Group will continue to uphold its environmental consciousness by enhancing its operations and management policies in order to develop its business in the long run.

STAKEHOLDERS' FEEDBACK

Stakeholders' comments regarding the Group's performance and approach on environmental, social and governance aspects are welcomed and valued, suggestions or feedbacks can be communicated via email at cs@cyfood.com.hk.

EXECUTIVE DIRECTORS

Mr. Liu Chi Ching ("Mr. Liu"), aged 51, is the founder of our Group. Mr. Liu is responsible for the overall strategic management and development of our Group's business operations. Mr. Liu was appointed as Director on 6 April 2016 and re-designated as our Chairman and executive Director on 27 May 2016. He is also a member of the Remuneration Committee and the chairman of the Nomination Committee.

Mr. Liu has over 20 years of experience in the food trading and processing industry. Mr Liu worked as a chef at various restaurants of well-known clubs and hotels from 1983 to 1993, including The American Club Hong Kong and Hyatt Regency Hong Kong. Prior to the founding of our Group, Mr. Liu has been operating his business under the trade name C.Y. Trading Company since March 1993. He established CY Food Trading Limited in May 1998 and had worked as a director of CY Food Trading Limited from May 1998 to March 2001. Mr. Liu has been a director of C.Y. Food since September 2005 and a director of Healthy Cheer since September 2015. Mr. Liu is a director of all subsidiaries of our Group.

Ms. Wu Shuk Kwan ("Ms. Wu"), aged 34, is the chief executive officer and an executive Director of our Group. Ms. Wu is responsible for overseeing our Group's operations, business development, human resources, finance and administration. Ms. Wu was appointed as our chief executive officer and executive Director on 27 May 2016. Ms. Wu joined our Group as sales and marketing manager in April 2014. Ms. Wu obtained an Associate of Arts from the HKU School of Professional and Continuing Education in September 2004. She also completed the Level 2 Book-keeping and Accounting course endorsed by LCCI International in February 2006. Before joining our Group, Ms. Wu worked in Brilliant Training Centre as a teacher from April 2005 to March 2006. From April 2006 to March 2010, she was a director of Tech Rich Trading Limited, a company principally engaged in wholesale of vegetables in Hong Kong, with the main responsibility of managing the business operation, human resources, finance and administration. She worked in Hong Kong Dragon Airlines Limited as a flight attendant from January 2007 to January 2012 and as a flight purser from January 2012 to March 2014. Ms Wu is proficient in various languages and has sounded communication skills to engage employees throughout the Group.

NON-EXECUTIVE DIRECTOR

Mr. Wong Chung Yeung ("Mr. Wong"), aged 40, was appointed as our non-executive Director on 27 May 2016. Mr. Wong graduated from the Hong Kong University of Science and Technology in July 1999 with a Bachelor of Business Administration in Accounting and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has rich experience in the finance and accounting profession. Prior to joining our Group, Mr. Wong worked in Ernst & Young from June 2000 to December 2011 with his last position held as senior manager. Mr. Wong is the chief financial officer and company secretary of Tang Palace (China) Holdings Limited (stock code: 1181), a company listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li On Lei ("Ms. Li"), aged 39, was appointed as our independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee on 26 September 2016.

Ms. Li is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group. Ms. Li is currently the financial controller of Gameone Holdings Limited (Stock Code 8282) ("Gameone"). She is primarily responsible for the handling and overseeing financial reporting, financial planning, and reviewing internal control of Gameone. Prior to joining Gameone, she had worked in the Audit and Assurance Department of an international accounting firm from July 2004 to May 2015, and her last position was senior manager. She has accumulated more than 12 years of experience in auditing, accounting and financial management. Ms. Li is a fellow member of the Association of Chartered Certified Accountants.

Mr. Ng Ki Man ("Mr. Ng"), aged 31, was appointed as our independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee on 26 September 2016. Mr. Ng is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Ng holds a Bachelor of Business Administration (Honours) degree in Information Systems from the City University of Hong Kong. Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Ng has more than 9 years of experience in auditing and accounting.

Mr. Lo Siu Kit ("Mr. Lo"), aged 56, was appointed as our independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 26 September 2016. Mr. Lo is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Lo is a fellow member of The Professional Validation Centre of Hong Kong Business Sector. He has been a director of Olympic Management Company Limited since February 1991 and is currently a member of the Tsuen Wan District Council. Mr. Lo is also currently the chairman of the Traffic and Transport Committee, a member of the District Facilities Management Committee, Cultural, Recreation and Sports Committee, Community Building, Planning and Development Committee, Social Services and Community Information Committee, Coastal Affairs Committee and Environmental and Health Affairs Committee. Meanwhile, Mr. Lo is a member of the Transport and Housing Bureau Appeal Panel (Housing), Labour and Welfare Bureau, Rehabilitation Advisory Committee and District Fight Crime Committee (Tsuen Wan District).

SENIOR MANAGEMENT

Ms. Wu Hau Kam ("Ms. Wu HK"), aged 53, is the Director of procurement of our Group. Ms. Wu HK is responsible for procurement of food ingredients and raw materials. Before joining our Group, Ms. Wu HK worked in Dongguan Liaobu Town Liangbian Management Area Knitwear Factory（東莞市寮步鎮良邊管理區毛織廠）as a worker from 1978 to 1985. She then worked as a purchasing officer in Shui Hing Long Fresh Vegetables and Fruits Company（瑞興隆時菜鮮果食品）from 1998 to December 2004. She worked as a purchasing officer in C.Y. Food Trading Company Limited from January 2005 to September 2005. Ms. Wu HK joined our Group as purchasing manager in September 2005 and was promoted to her current position in January 2010.

Mr. Ho Shut Cheong ("Mr. Ho"), aged 47, is the Director of operations of our Group. Mr. Ho is responsible for overseeing processing and inventory management. Before joining our Group, Mr. Ho worked as a metalworker in Wai Shing Steel Company (偉成鐵器)from 1985 to 1986 and Shun Shing Hardware and Manufacturing Company（順成五金製品）from 1986 to 1995, respectively. He then worked as a warehouse and inventory assistant in Wing Tai Hong Vegetable Wholesale Company Limited（永泰行）from 1995 to 2003. He later worked as a metalworker in Paky Limited from January 2003 to July 2008. He joined C.Y. Food as factory manager from September 2008 to June 2009 and he worked for Super Tri Union Enterprise Company Limited as inventory manager from September 2009 to February 2012. Mr. Ho re-joined our Group as inventory manager in May 2012 and was promoted to his current position since January 2014.

Mr. Cheng Lam Piu ("Mr. Cheng"), aged 60, is the Director of quality control of our Group. Mr. Cheng is responsible for overseeing quality control of our Group including leading the quality control department in conducting food safety analysis, identifying food safety control points, and establishing, performing and evaluating the food safety monitoring procedures for our Group. Mr. Cheng has over 10 years of experience in quality control and is a qualified Food Hygiene Manager recognised by the Food and Environmental Hygiene Department, with extensive food hygiene knowledge including how to identify key areas of risk in various food operations for early remedial actions and ensure compliance with the regulations and codes of practice relating to the food processing and supply industry. Prior to joining our Group, Mr. Cheng worked as a butcher in Ying Wa Company（英華雞鴨）from 1979 to 1997. He then worked as inventory manager in C.Y. Trading Company and CY Food Trading Limited from December 1997 to May 1998 and from May 1998 to March 2001, respectively. In March 2001, Mr. Cheng re-joined C.Y. Trading Company as inventory manager and left his position in November 2004. He then joined C.Y. Food Trading Company Limited as inventory manager from November 2004 to September 2005. Mr. Cheng joined our Group as inventory manager in September 2005 and was promoted to his current position in October 2005.

COMPANY SECRETARY AND FINANCIAL CONTROLLER

Ms. Yim Sau Ping ("Ms. Yim"), aged 34, graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy in 2007 and has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since 2010. She has accumulated more than 9 years of experience in accounting, auditing and financial management. Ms. Yim was appointed as our Company's secretary and financial controller on 1 June 2016.

Prior to joining our Group, Ms. Yim worked for Ngai Shun Holdings Limited (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for JC Group Holdings Limited (now known as "Tonking New Energy Group Holdings Limited") (stock code: 8326), a company listed on the Growth Enterprise Market of the Stock Exchange, as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She is currently the director of Blooming (HK) Business Limited, a company primarily provides corporate advisory and company secretarial services.

INTRODUCTION

We are committed to achieving and maintaining high standards of corporate governance, as our Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). Throughout the Period, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company (the "Code of Conduct"). Based on specific enquiry with the Directors, all Directors confirmed that they had complied with the required standard of dealings and the Code of Conduct and there was no event of noncompliance throughout the Period.

DIRECTORS' RESPONSIBILITIES

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

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

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, *inter alia*, the implementation of strategies are delegated to the executive Directors along with other senior executives. They report periodically to the Board their work and business decisions.

Board Composition

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

Executive Directors

Mr. Liu Chi Ching *(Chairman)* (appointed on 27 May 2016) (note)
Ms. Wu Shuk Kwan *(Chief Executive Officer)* (appointed on 27 May 2016)

Non-executive Director

Mr. Wong Chung Yeung (appointed on 27 May 2016)

Independent non-executive Directors

Ms. Li On Lei (appointed on 26 September 2016)
Mr. Ng Ki Man (appointed on 26 September 2016)
Mr. Lo Siu Kit (appointed on 26 September 2016)

Biographical details of the Directors are set out in “Biographical Details of the Directors and Senior Management” on pages 22 to 25 of this annual report.

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

Note: Mr. Liu Chi Ching was appointed as a Director on 6 April 2016 and re-designated as an executive Director on 27 May 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors and non-executive Director has entered into a service contract with our Company on 27 May 2016 and signed letters of appointment with each of our independent non-executive Directors. The service contracts with our executive Directors and the letter of appointment with our non-executive Director and each of our independent non-executive Directors are for an initial term of three years commencing from 13 October 2016. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our articles of association and the applicable GEM Listing Rules.

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

Each of Mr. Liu Chi Ching, Ms. Wu Shuk Kwan, Mr. Wong Chung Yeung, Ms. Li On Lei, Mr. Ng Ki Man and Mr. Lo Siu Kit will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 29 August 2017. Mr. Liu Chi Ching, Ms. Wu Shuk Kwan, Mr. Wong Chung Yeung, Ms. Li On Lei, Mr. Ng Ki Man and Mr. Lo Siu Kit, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Liu Chi Ching and Ms. Wu Shuk Kwan as executive Directors, Mr. Wong Chung Yeung as non-executive Director, Ms. Li On Lei, Mr. Ng Ki Man and Mr. Lo Siu Kit as independent non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and chief executive officer are separate and not performed by the same individual in order to balance the distribution of power. Mr. Liu Chi Ching was the Chairman of the Board throughout the year. Ms. Wu Shuk Kwan is our chief executive officer of the Company.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

In compliance with the code provision A.6.5 of the Code, all Directors shall 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 attended a formal directors training session conducted by CFN Lawyers prior to the listing of the Company. The training covered topics including the GEM Listing Rules, the CG Code and the disclosure of inside information. The Group has also been provided reading materials including the CG Code, the Inside Information Provision (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) to all Directors to develop and refresh the Director's knowledge and skills.

The Group continuously updates the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements, so as to ensure that s/he is aware of his/her responsibilities and obligations as well as to maintain good corporate governance practices.

BOARD COMMITTEES

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

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

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

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

Remuneration Committee

The Remuneration Committee was established on 26 September 2016. The chairman of the Remuneration Committee is Ms. Li On Lei, our independent non-executive Director, and other members includes Mr. Liu Chi Ching, our executive Director, Mr. Ng Ki Man and Mr. Lo Siu Kit, our independent non-executive Directors. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2017.

Nomination Committee

The Nomination Committee was established on 26 September 2016. The chairman of the Nomination Committee is Mr. Liu Chi Ching, our chairman and executive Director, and other members included Ms. Li On Lei, Mr. Ng Ki Man and Mr. Lo Siu Kit, our independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the Stock Exchange's website and on the Company's website.

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

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

Audit Committee

The Audit Committee was established on 26 September 2016. The Chairman of the Audit Committee is Mr. Ng Ki Man, our independent non-executive Director, and other members included Ms. Li On Lei and Mr. Lo Siu Kit, our independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

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

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

The Group's consolidated financial statements for the year ended 31 March 2017 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2017 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

ATTENDANCE RECORDS OF MEETINGS

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

Subsequent to the reporting period, one Board meeting was held on 19 June 2017. The forthcoming annual general meeting which will be held on 29 August 2017.

The information below are details of all Directors' attendance at the Board meeting and Board committees' meeting held from listing date 13 October 2016 to 31 March 2017:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
	Number of Meetings Attended/Held		
Executive Directors			
Mr. Liu Chi Ching	4/4		2/2
Ms. Wu Shuk Kwan	4/4		
Non-executive Director			
Mr. Wong Chung Yeung	4/4		
Independent non-executive Directors			
Ms. Li On Lei	4/4	2/2	2/2
Mr. Ng Ki Man	4/4	2/2	2/2
Mr. Lo Siu Kit	4/4	2/2	2/2

For the year ended 31 March 2017, no annual general meeting was held, as the Company was newly listed on 13 October 2016. No Nomination Committee meeting was held since Listing Date to 31 March 2017.

COMPANY SECRETARY

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

The Company has appointed Ms. Yim Sau Ping ("Ms. Yim") as its company secretary.

For the year ended 31 March 2017, Ms. Yim undertook no less than 15 hours of relevant professional training to develop her skills and knowledge. The biographic of Ms. Yim is set out in the section headed "Biographical Details of the Directors and Senior Management" of this report.

INDEPENDENT AUDITORS' REMUNERATION

PricewaterhouseCoopers, the external auditor of the Company, provided audit-related services as the reporting accountant of the Company and other non-audit services in respect of the Company's Listing during the year ended 31 March 2017. The remuneration paid by the Group to PricewaterhouseCoopers for the audit-related and non-audit services in respect of the Company's Listing amounted to HK$2,360,000 (31 March 2016: HK$900,000) and HK$210,000 (31 March 2016: HK$240,000), respectively.

PricewaterhouseCoopers is appointed as the external auditor of the Company. The fee paid and payable in respect of audit services and non-audit services amounted to HK$1,150,000 and HK$39,000 respectively for the year ended 31 March 2017.

SHAREHOLDERS' RIGHT

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

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

Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains an effective internal control and risk management systems. It consists, in part, of organisational arrangements with defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures in order to safeguard the investment of the Company's shareholders and the Group's assets at all times.

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

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

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

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

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

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

The Company's audit committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 March 2017 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the audit committee and concurred the same.

The Group has yet to establish its internal audit function during the year ended 31 March 2017 as required under Code Provision C.2.5. The audit committee and Board, has considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditor in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The audit committee and the Board will continue to review the need for an internal audit function on an annual basis.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

(i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the Stock Exchange's website "www.hkexnews.hk" and the Company's website at "www.cyfood.com.hk";

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management;

(v) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

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

Since the Listing Date, there was no charge to the Company's memorandum and articles of association.

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

PRINCIPAL ACTIVITIES

The Company was incorporated with limited liability in the Cayman Island. The principal activity of the Company is investment holding. The Group is principally engaged in food processing and supply of vegetables, fruits and other food ingredients in Hong Kong. It supplies food ingredients to over 700 customer outlets and offers more than 1,300 types of food ingredients to the customers. Details of the principal activities of its subsidiaries are set out in note 28 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 6 April 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. In preparation of the Listing, the companies now comprising the Group underwent the corporate reorganisation (the "Reorganisation") pursuant to which the Company became the holding company of the Group on 18 May 2016. For details of the Reorganisation, please refer to the paragraph headed "History, Development and Reorganisation" in the Prospectus.

The Company's shares have been listed on the Stock Exchange since 13 October 2016.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2017 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statement on pages 50 to 106 of this report. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Tuesday, 29 August 2017 (the "2017 AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 24 August 2017 to Tuesday, 29 August 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 23 August 2017.

BUSINESS REVIEW

The review of the business of the Group during the year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", and the description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed, "Management Discussion and Analysis". The financial risk management objectives and policies of the Group are set out in note 3 to the consolidated financial statements. No important event affecting the Group that has occurred since the end of the financial year ended 31 March 2017 and up to the date of this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the past three financial years is set out on page 44. This summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

DONATION

Charitable donations made by the Group during the year ended 31 March 2017 amounted to approximately HK$25,000 (31 March 2016: approximately HK$21,000).

SHARE CAPITAL

Details of the Company's share capital is set out in note 20 to the consolidated financial statements.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The Company has adopted a Share Option Scheme on 26 September 2016. Further details of the Share Option Scheme are set in the section headed "Statutory and General Information – D. Share option scheme" in Appendix V to the Prospectus.

For the year ended 31 March 2017, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

RESERVES

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

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 March 2017 are set out in note 27 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

DISTRIBUTABLE RESERVES

As at 31 March 2017, the Company's reserves available for distribution to owners comprising share premium account less accumulated losses, amounted to approximately HK$51.3 million.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer is accounted for 12.2% of the Group's total revenue while the Group's five largest customers in aggregate are accounted for 39.8% of the Group's total revenue for the year.

The Group's largest supplier is accounted for 55.9% to the total purchases while the Group's five largest suppliers are accounted for 70.7% of the Group's total purchases for the year.

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

DIRECTORS

The Directors of the Company (the "Board") during the year and up to the date of this report were as follows:

Executive Directors

Mr. Liu Chi Ching *(Chairman)* (appointed on 27 May 2016) (note)
Ms. Wu Shuk Kwan *(Chief Executive Officer)* (appointed on 27 May 2016)

Non-executive Director

Mr. Wong Chung Yeung (appointed on 27 May 2016)

Independent non-executive Directors

Ms. Li On Lei (appointed on 26 September 2016)
Mr. Ng Ki Man (appointed on 26 September 2016)
Mr. Lo Siu Kit (appointed on 26 September 2016)

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

Note: Mr. Liu Chi Ching was appointed as a Director on 6 April 2016 and re-designated as an executive Director on 27 May 2016.

PERMITTED INDEMNITY PROVISION

Every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 22 to 25 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in note 8 to the consolidated financial statements.

The remuneration of the senior management of our Group for the year ended 31 March 2017 falls within the following band:

Remuneration Band	Number of Senior Management
Up to HK$1,000,000	3
HK$1,000,001 to up to HK$2,000,000	0
Above HK$2,000,000	0

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), taking into account other factors such as their experience, level of responsibility, individual performance, the profit performance of our Group and general market conditions.

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

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2017 are set out in note 2.19(a) to the consolidated financial statements of this annual report.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in note 27 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

As at 31 March 2017, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

INTERESTS OF THE COMPLIANCE ADVISOR

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 March 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of Director/ chief executive	Capacity/Nature of interest	Number of underlying shares	Approximate percentage of shareholding
Mr. Liu Chi Ching (note 1)	Interest of a controlled corporation	720,000,000	56.25%

Note:

(1) Mr. Liu Chi Ching ("Mr. Liu") beneficially owns the entire issued share capital of Classic Line Limited. Therefore, Mr. Liu is deemed, or taken to be, interested in all the shares held by Classic Line for the purpose of the SFO. Mr. Liu is the sole director of Classic Line.

Save as disclosed above, as at 31 March 2017, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as known to the Directors or chief executives of the Company, as at 31 March 2017, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Number of underlying shares (Note 1)	Approximate percentage of shareholding
Classic Line Limited (Note 1)	Beneficial owner	720,000,000	56.25%
Good Vision Limited (Note 2)	Beneficial owner	144,000,000	11.25%
Hong Kong Tang Palace Food & Beverage Group Limited (Note 2)	Interest of a controlled corporation	144,000,000	11.25%
Tang Palace (China) Holdings Limited (Note 3)	Interest of a controlled corporation	144,000,000	11.25%

Notes:

(1) Mr. Liu Chi Ching beneficially owns the entire issued share capital of Classic Line Limited. Therefore, Mr. Liu Chi Ching is deemed or taken to be interested in all the shares held by Classic Line for the purpose of the SFO. Mr. Liu Chi Ching is the sole director of Classic Line.

(2) Hong Kong Tang Palace Food & Beverage Group Company Limited ("Tang Palace") owns the entire issued share capital of Good Vision Limited. Therefore, Tang Palace is deemed or taken to be interested in all the Shares held by Good Vision Limited for the purpose of the SFO. Mr. Chan Man Wai is the sole director of Good Vision Limited.

(3) Tang Palace (China) Holdings Limited (stock code: 1181), a company listed on the Main Board of the Stock Exchange, beneficially owns the entire issued share capital of Tang Palace. Therefore, Tang Palace (China) Holdings Limited is deemed, or taken to be, interested in all the shares in which Tang Palace is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2017, there was no person or corporation, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with Group during the year ended 31 March 2017.

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

During the year, the Company has received an annual written confirmation from each controlling shareholders of the Company in respect of him/it and his/its associates in compliance with the deed of non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the controlling shareholders of the Company had complied with the deed of non-competition.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 26 to 34 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed minimum public float under the GEM Listing Rules during the year ended 31 March 2017 and at any time up to the date of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2017 have been audited by PricewaterhouseCoopers. A resolution will be proposed at the forthcoming annual general meeting of the Company to reappoint PricewaterhouseCoopers as auditor of the Company.

ON BEHALF OF THE BOARD
Liu Chi Ching
Chairman
Hong Kong, 19 June 2017

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 March		
	2017	2016	2015
	HK$'000	HK$'000	HK$'000
Revenue	**166,300**	166,230	152,286
Gross Profit	**35,074**	25,765	20,404
Profit before income tax	**6,696**	13,709	10,431
Profit and total comprehensive income for the year	**3,410**	11,073	8,753
Total assets	**112,911**	72,687	67,371
Total liabilities	**40,737**	51,294	57,151
Total equity and liabilities	**112,911**	72,687	67,371

羅兵咸永道

To the Shareholders of Goal Forward Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Goal Forward Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 106, which comprise:

- the consolidated statement of financial position as at 31 March 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independence

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.

KEY AUDIT MATTERS

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

Key audit matter identified in our audit is the impairment assessment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables Refer to note 4 and note 17 to the consolidated financial statements As at 31 March 2017, the carrying amount of trade receivables of the Group was approximately HK$22,142,000, representing approximately 20% of the total assets. Management performed impairment assessment of trade receivables based on information including ageing of the trade receivables, past repayment history, subsequent settlement status and on-going trading relationship with the relevant customers. Based on management's assessment, no provision for impairment was made for the Group's trade receivables balance as at 31 March 2017. We focused on this area due to the size of the trade receivables balance and the significant management judgment used to evaluate the recoverability of the trade receivables.	Our procedures in relation to management's impairment assessment of trade receivables as at 31 March 2017 focused on the following: • Understanding, evaluating and validating key controls that the Group has implemented to manage and monitor its credit risk, including the grant and revision of credit limit and credit period to the customers based on their risk profile; • Circulating confirmations to the Group's customers, on a sample basis, to obtain third party evidence over the amounts of trade receivables recorded as at the year-end date; • Testing, on a sample basis, the subsequent settlement from the customers to the corresponding cash receipts; and • Where settlement had not been received subsequent to the year end for those receivables beyond the credit period, we challenged management's assessment as to the recoverability of those receivables, corroborating management's explanations with evidence of past repayment history, on-going trading relationship and correspondence with the relevant customers to follow up the outstanding debts. Based on our procedures performed, we found management's assessment on the impairment of trade receivables to be supportable by available evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Chi Hang, Benson.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	Year ended 31 March 2017 HK$'000	2016 HK$'000
Revenue	5	**166,300**	166,230
Cost of sales	7	**(131,226)**	(140,465)
Gross profit		**35,074**	25,765
Other income	6	**113**	123
Selling and administrative expenses	7	**(27,513)**	(11,593)
Operating profit		**7,674**	14,295
Finance income	9	**2**	1
Finance costs	9	**(833)**	(587)
Finance costs - net	9	**(831)**	(586)
Share of loss of a joint venture	15	**(147)**	–
Profit before income tax		**6,696**	13,709
Income tax expense	10	**(3,286)**	(2,636)
Profit and total comprehensive income for the year attributable to owners of the Company		**3,410**	11,073
Basic and diluted earnings per share attributable to owners of the Company (expressed in HK cents per share)	12	**0.31**	1.15

The notes on pages 55 to 106 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Note	As at 31 March 2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**17,019**	17,583
Deposits and prepayments	17	**2,648**	200
Deferred tax assets	14	**90**	117
Interest in a joint venture	15	**853**	–
Total non-current assets		**20,610**	17,900
Current assets			
Inventories	18	**607**	863
Trade receivables	17	**22,142**	26,955
Deposits and prepayments	17	**628**	1,478
Amount due from a director	27(b)	**–**	16,012
Cash and cash equivalents	19	**68,924**	9,479
Total current assets		**92,301**	54,787
Total assets		**112,911**	72,687
EQUITY			
Equity attributable to owners of the Company			
Share capital/Paid-in capital	20	**12,800**	100
Share premium	20	**51,571**	–
Other reserve	21	**100**	–
Retained earnings		**7,703**	21,293
Total equity		**72,174**	21,393

	Note	As at 31 March 2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**181**	266
Deferred tax liabilities	14	**576**	584
Total non-current liabilities		**757**	850
Current liabilities			
Trade payables	23	**16,549**	27,592
Accruals and other payables	23	**4,554**	2,902
Borrowings	22	**18,584**	18,771
Current income tax liabilities		**293**	1,179
Total current liabilities		**39,980**	50,444
Total liabilities		**40,737**	51,294
Total equity and liabilities		**112,911**	72,687

The consolidated financial statements on pages 50 to 106 were approved for issue by the Board of Directors on 19 June 2017 and were signed on its behalf.

Liu Chi Ching
Director

Wu Shuk Kwan
Director

The notes on pages 55 to 106 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company				
	Share capital/ Paid-in capital	Share premium	Other reserve	Retained earnings	Total
	(Note 20)	(Note 20)	(Note 21)		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2015	–	–	–	10,220	10,220
Total comprehensive income					
Profit for the year	–	–	–	11,073	11,073
Transaction with owner in their capacity as owner					
Contribution from a shareholder	100	–	–	–	100
Balance at 31 March 2016 and 1 April 2016	100	–	–	21,293	21,393
Total comprehensive income					
Profit for the year	**–**	**–**	**–**	**3,410**	**3,410**
Transaction with owners in their capacity as owners					
Dividends paid	**–**	**–**	**–**	**(17,000)**	**(17,000)**
Issuance of shares and effects of the Reorganisation	**(100)**	**–**	**100**	**–**	**–**
Issue of new shares upon placing, net of share issuing expenses	**3,200**	**61,171**	**–**	**–**	**64,371**
Capitalisation of shares	**9,600**	**(9,600)**	**–**	**–**	**–**
Balance at 31 March 2017	**12,800**	**51,571**	**100**	**7,703**	**72,174**

The notes on pages 55 to 106 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
		Year ended 31 March	
Cash flows from operating activities			
Cash generated from operations	24	**4,854**	7,331
Interest paid		**(833)**	(587)
Income tax paid		**(4,153)**	(3,258)
Net cash (used in)/generated from operating activities		**(132)**	3,486
Cash flows from investing activities			
Purchases of property, plant and equipment		**(105)**	(43)
Prepayment for property, plant and equipment		**(2,431)**	(200)
Payment for acquisition of a joint venture		**(1,000)**	–
Decrease/(increase) in amount due from a director		**47**	(7,904)
Interest received		**2**	1
Net cash used in investing activities		**(3,487)**	(8,146)
Cash flows from financing activities			
Proceeds from bank borrowings		**19,200**	–
Repayments of bank borrowings		**(19,392)**	(2,278)
Repayment of finance leases		**(80)**	(76)
Prepayment of listing expenses		**–**	(661)
Payment of dividend		**(1,035)**	–
Contribution from a shareholder		**–**	100
Net proceeds from shares issuances		**64,371**	–
Net cash generated from/(used in) financing activities		**63,064**	(2,915)
Net increase/(decrease) in cash and cash equivalents		**59,445**	(7,575)
Cash and cash equivalents at beginning of the year		**9,479**	17,054
Cash and cash equivalents at end of the year	19	**68,924**	9,479

The notes on pages 55 to 106 are an integral part of these consolidated financial statements.

1 CORPORATION INFORMATION AND REORGANISATION

(a) General information

Goal Forward Holdings Limited (the "Company") was incorporated in the Cayman Islands on 6 April 2016 as an exempted company with limited liability under Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") is principally engaged in the sourcing and processing of food ingredients (the "Listing Business"). The ultimate holding company of the Company is Classic Line Holdings Limited, a company incorporated in the British Virgin Islands. Mr. Liu Chi Ching ("Mr. Liu") is regarded as the ultimate controlling party.

The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of placing (the "Listing") on 13 October 2016 (the "Listing Date").

The financial statements is presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

(b) Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the Listing Business was carried out by C.Y. Food Trading (HK) Company Limited, a company incorporated in Hong Kong (the "Operating Company"). The Operating Company was controlled by Mr. Liu immediately before and after the group reorganisation prior to the Listing.

In preparation for listing of the Company's shares on the GEM of the Stock Exchange, the Group underwent the Reorganisation to transfer the Listing Business to the Company principally through the following steps:

a. On 8 January 2016, Classic Line Holdings Limited ("Classic Line") was incorporated in the British Virgin Islands ("BVI") by Mr. Liu.

b. On 10 March 2016, Eminent Ace Group Limited ("Eminent Ace") was incorporated in the BVI. On the same date, one fully-paid share of Eminent Ace, representing its entire issued share capital was allotted and issued to Classic Line.

c. On 6 April 2016, the Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK$380,000 divided into 38,000,000 shares. On the same date, one nil-paid ordinary share was allotted and issued to Classic Line.

1 CORPORATION INFORMATION AND REORGANISATION (Continued)

(b) Reorganisation (Continued)

d. On 13 May 2016, Eminent Ace acquired the entire issued share capital of the Operating Company from Mr. Liu, in consideration of which the Company, at the direction of Mr. Liu, issued and allotted 9,999 nil-paid shares to Classic Line.

e. On 16 May 2016, Classic Line, Mr. Liu and the Company entered into a share swap deed pursuant to which the Company acquired 1 fully paid share in Eminent Ace from Classic Line and as consideration, the Company credited 10,000 nil-paid share held by Classic Line as fully paid.

f. On 25 May 2016, Lion Metro Limited ("Lion Metro") was incorporated in the BVI by Eminent Ace.

g. On 22 June 2016, Lion Metro acquired the entire issued share capital of the Healthy Cheer International Limited ("Healthy Cheer") from its then shareholders, Mr. Liu, Mr. Chan Kam Cheong ("Mr. Chan") and Ms. Liu Shek Chun ("Ms. Liu"), in consideration of which Eminent Ace issued and allotted 99 fully-paid shares in Eminent Ace to the Company. Prior to this transaction, Mr. Liu was the controlling shareholder of Healthy Cheer as he beneficially owned the entire issued share capital of Healthy Cheer through declarations of trust signed by Mr. Liu with Mr. Chan and Ms. Liu respectively, on 9 July 2009.

h. Pursuant to the written resolutions passed on 26 September 2016, upon completion of the placing, the Company was authorised to capitalise a sum of approximately HK$9,600,000 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 959,990,000 ordinary shares of the Company (the "Capitalisation Issue").

i. In connection with the Listing, 320,000,000 shares of HK$0.01 each were issued at the offer price of HK$0.225 with gross proceeds of HK$72,000,000. HK$3,200,000 was credited to the share capital account and HK$61,171,000 (net of share issuing expenses of HK$7,629,000) was credited to the share premium account.

After the completion of the Reorganisation, the Company has become the holding Company of the subsidiaries now comprising the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

Immediately before and after the Reorganisation, the Company and its subsidiaries were controlled by Mr. Liu as the controlling shareholder. The transactions as described in Note 1(b) above are merely a reorganisation of the Listing Business with no change in management and the controlling shareholder of the Listing Business remains the same. Accordingly, the consolidated financial statements of the Company and the Listing Business have been presented using the historical carrying values of the assets and liabilities of the Listing Business as if the current group structure had been in existence since 1 April 2015.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

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

(a) Adoption of improvements, new and amendments to HKFRSs – effective 1 April 2016

The Group has adopted the following improvements, new and amendments to existing standards which are mandatory for the financial year beginning on or after 1 April 2016:

Annual Improvements Project (Amendments)	Annual Improvements 2012-2014 Cycle
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Account

The adoption of the above HKFRSs did not have any significant financial impact on the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New and amendments to HKFRSs which are not yet effective

		Effective for accounting year beginning on or after	Note
HKAS 7 (Amendment)	Disclosure Initiative	1 January 2017	
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018	
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts	1 January 2018	
HKFRS 9	Financial Instruments	1 January 2018	i
HKFRS 15	Revenue from Contracts with Customers	1 January 2018	ii
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018	
HKFRS 16	Leases	1 January 2019	iii
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined	

The Group will apply the above HKFRSs when they become effective. The Group is in the process of making an assessment of the impact of the above HKFRSs.

Note i: HKFRS 9, "Financial instruments"

HKFRS 9 "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New and amendments to HKFRSs which are not yet effective (Continued)

Note i: HKFRS 9, "Financial instruments" (Continued)

HKFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

For the year ended 31 March 2017, all of the Group's financial assets and financial liabilities were carried at amortised costs without significant impairment on the former. The implementation of HKFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

Note ii: HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

The Group has commenced an assessment of the impact of HKFRS 15 on the recognition of revenue, based on its prelimary assessment, the implementation of the new standard is not expected to have significant impacts on the Group's consolidated financial statements.

Note iii: HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New and amendments to HKFRSs which are not yet effective (Continued)

Note iii: HKFRS 16, "Leases" (Continued)

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$1,050,000, see Note 25.

The commitments may be covered by the exception for short-term and low value leases. Accordingly, the Group currently does not expect the new standard to have a significant impact on the Group's consolidated financial statements.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

Aside from these standards mentioned above, management is in the process of making an assessment of the impact of these new and amendments to existing standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

Except for the Reorganisation as mentioned in Note 1(b), the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within “finance income or costs”. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within “other income”.

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Leasehold improvements are depreciated over the shorter of their useful lives or unexpired period of the lease while depreciation of other property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land held under finance lease	Over the lease term of 35 years
Buildings	35 years
Leasehold improvements	Shorter of lease term or 5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	3-4 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "selling and administrative expenses" in the consolidated statements of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in joint ventures equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the balance sheet of the Company, its investments in joint ventures are stated at cost less provision for any impairment losses. Income from joint ventures is recognised by the Company on the basis of dividends received and receivable.

In the balance sheet of the Company, impairment testing of the investments in joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the joint ventures in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.7 Impairment of non-financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and deposits, cash and cash equivalents (Notes 2.12 and 2.13) and amount due from a director in the consolidated statements of financial position.

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statements of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

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

2.15 Trade payables

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

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

2.16 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Borrowings (Continued)

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

2.17 Borrowing costs

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

2.18 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and a joint venture, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for a joint venture. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and the joint venture only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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

2.19 Employee benefits

(a) Retirement benefit obligations Hong Kong

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") which is registered under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held in a separately administered fund. The MPF Scheme is generally funded by payments from employees and by the Group.

The Group has no further payment obligations once the contribution has been paid. The contributions are recognised as employee benefit expense when they are due.

(b) Employee leave entitlements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

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

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discount and returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will How to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

Sale of goods is recognised when products have been delivered to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Interest income

Interest income is recognised using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain motor vehicles. Leases of certain motor vehicles where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair values of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by finance department under policies approved by the Board of Directors. Finance department of the Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management in specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk

Credit risk of the Group mainly arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers such as trade and other receivables. The carrying amount of these balances in the financial statements represents the Group's maximum exposure to credit risk in relation to its financial assets.

Bank balances are deposited in reputable banks. Management does not expect any losses from non-performance by these banks.

Debtors of the Group may be affected by the unfavorable economic conditions and the lower liquidity situation, which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that the information is available, management has properly reflected revised estimate of expected future cash flows in their impairment assessments.

The credit quality of the customers is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories.

As at 31 March 2017, the Group had a concentration of credit risk given that the top five debtors accounted for 38% of the Group's total trade receivables at the year end (2016: 46%). The Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balances due from these customers. However, the Group does not believe that the credit risk in relation to these customers is significant because they have no history of default in recent years.

The Group performs periodic credit evaluations of its customers. For the trade receivables proved to be impaired, management has provided sufficient provision on those balances.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The directors aim to maintain flexibility in funding by keeping credit lines available and obtaining additional funding from the loan facilities and monitoring cash flow forecast to maintain its going concern.

Management monitors the Group's liquidity requirements to ensure it has sufficient cash to meet the operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Surplus cash held by the Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The following tables analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group can be required to pay, except for long term bank borrowings subject to a repayment on demand clause.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The undiscounted cash flow does not include interest payments computed using contractual rates if the lender does not invoke his/her unconditional rights. The maturity analysis for other bank borrowings and finance lease liabilities is prepared based on the scheduled repayment dates.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk (Continued)

	On demand	Within 1 year	More than 1 year but less than 2 years	Total undiscounted cash outflows
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2017				
Long term bank borrowings subject to a repayment on demand clause	**18,499**	**–**	**–**	**18,499**
Other bank borrowings	**–**	**85**	**181**	**266**
Trade and other payables	**–**	**19,924**	**–**	**19,924**
	18,499	**20,009**	**181**	**38,689**
At 31 March 2016				
Long term bank borrowings subject to a repayment on demand clause	18,629	–	–	18,629
Other bank borrowings	–	142	266	408
Trade and other payables	–	29,401	–	29,401
	18,629	29,543	266	48,438

The table below summarises the maturity analysis of bank borrowings subject to a repayment on demand clause based on the agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors believe the bank will not exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk (Continued)

Maturity analysis - Bank borrowings subject to a repayment on demand clause based on scheduled repayments

	Within 1 year HK$'000	**More than 1 year but less than 2 years** HK$'000	**More than 2 years but less than 5 years** HK$'000	**Total Outflows** HK$'000
At 31 March 2017	1,199	2,397	19,277	22,873
At 31 March 2016	1,629	1,629	17,077	20,335

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings. Total capital is calculated as equity as shown in the financial statements.

The Group's gearing ratios were as follows:

	As at 31 March	
	2017 **HK$'000**	2016 HK$'000
Total debt	**18,765**	19,037
Total capital	**72,174**	21,393
Gearing ratio	**26%**	89%

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

As at 31 March 2017, the Group did not have any financial assets or financial liabilities that are measured at fair value (2016: same).

The carrying values of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgments and estimates. Management reassesses the provision at the end of each reporting period.

(b) Useful lives on property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of these assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5. SEGMENT INFORMATION

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that make strategic decisions.

The Group is principally engaged in the sourcing and processing of food ingredients, which are carried out in Hong Kong.

Total revenue recognised during the year are as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Sales of goods	**166,300**	166,230

The revenue from external parties is derived from numerous external customers and the revenue reported to management is measured in a manner consistent with that in the financial statements.

Revenues from transactions with external customers accounting for 10% or more of Group's total revenue are as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Customer A	**20,213**	16,808
Customer B	**18,491**	20,768
	38,704	37,576

6. OTHER INCOME

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Sundry income	**113**	123

7. EXPENSES BY NATURE

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Cost of inventories (Note 18)	**99,884**	110,356
Employee benefit expenses (Note 8)	**14,490**	12,516
Commission	**1,022**	1,278
Auditors' remuneration		
– Audit related services	**1,150**	200
– Non-audit services	**107**	–
Depreciation of property, plant and equipment (Note 13)	**869**	1,314
Operating leases	**934**	885
Transportation expenses	**17,669**	16,770
Provision for/(reversal of) impairment of trade receivables, net	**11**	(18)
Listing expenses	**14,049**	2,481
Other expenses	**8,554**	6,276
	158,739	152,058

8 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS

(a) Employee benefit expenses during the year are as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Wages, salaries and allowances	**12,447**	11,033
Retirement benefit costs - defined contribution plans	**737**	505
Others	**1,306**	978
	14,490	12,516

8 EMPLOYEE BENEFIT EXPENSES – INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' emoluments

The remuneration of every director during the year are set out below:

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to pension scheme HK$'000	Other benefits HK$'000	Total HK$'000
For the year ended 31 March 2017					
Executive directors					
Mr. Liu Chi Ching (Chairman)	–	948	18	536	1,502
Ms. Wu Shuk Kwan (Chief executive officer)	–	486	18	110	614
Non-executive director					
Mr. Wong Chung Yeung	36	–	–	–	36
Independent nonexecutive directors					
Ms. Li On Lei	72	–	–	–	72
Mr. Ng Ki Man	72	–	–	–	72
Mr. Lo Siu Kit	72	–	–	–	72
	252	1,434	36	646	2,368
For the year ended 31 March 2016					
Executive directors					
Mr. Liu Chi Ching (Chairman)	–	672	18	435	1,125
Ms. Wu Shuk Kwan (Chief executive officer)	–	360	18	–	378
	–	1,032	36	435	1,503

For the year ended 31 March 2017, none of the directors of the Company waived any emoluments paid or payable by the Group companies and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2016: same).

8 EMPLOYEE BENEFIT EXPENSES - INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Directors' emoluments (Continued)

(i) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking for the year ended 31 March 2017 (2016: same).

(ii) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment for the year ended 31 March 2017 (2016: same).

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

No payment was made to any third parties for making available the services of them as a director of the Company for the year ended 31 March 2017 (2016: same).

(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors for the year ended 31 March 2017 (2016: same).

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

Save as disclosed in these consolidated financial statements, 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 for the year ended 31 March 2017 (2016: same).

Notes:

Mr. Liu Chi Ching and Ms. Wu Shuk Kwan were appointed as the Company's executive directors on 27 May 2016. Mr. Wong Chung Yeung was appointed as the Company's non-executive director on 27 May 2016. Ms. Li On Lei, Mr. Ng Ki Man and Mr. Lo Siu Kit were appointed as the Company's independent non-executive directors on 26 September 2016. For the year ended 31 March 2016, the non-executive director and independent non-executive directors had not been appointed and therefore did not receive any remuneration in their capacity as the Company's directors.

8 EMPLOYEE BENEFIT EXPENSES - INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 directors for the year ended 31 March 2017 (2016: 2 directors), and the emoluments are reflected in the analysis presented in Note 8(b). The emoluments payable to the remaining 3 individuals for the years ended 31 March 2017 (2016: 3 individuals), are as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Wages, salaries and allowances	**1,024**	759
Retirement benefit costs – defined contribution plans	**44**	35
	1,068	794

The emoluments of above individuals are within the following band:

	Number of individuals Year ended 31 March	
	2017	2016
Emoluments band		
Nil – HK$1,000,000	**3**	3

9 FINANCE COSTS – NET

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Interest expense on bank borrowings	**818**	568
Interest expense on finance leases	**15**	19
Finance costs	**833**	587
Interest income from bank deposits	**(2)**	(1)
Finance costs – net	**831**	586

10 INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 March 2017 (2016: 16.5%).

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Current income tax		
– Current year	**3,314**	2,762
– Over-provision in prior year	**(47)**	–
	3,267	2,762
Deferred income tax (Note 14)	**19**	(126)
Income tax expense	**3,286**	2,636

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's subsidiaries as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Profit before income tax	**6,696**	13,709
Calculated at a tax rate of 16.5% (2016: 16.5%)	**1,105**	2,262
Expenses not deductible for tax purposes	**2,228**	409
Non-taxable income	**–**	(35)
Over-provision in prior year	**(47)**	–
Income tax expense	**3,286**	2,636

Note:

Expense not deductible for tax purposes are mainly comprised of the tax effect of the non-deductible listing expenses for the year ended 31 March 2017.

11 DIVIDEND

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

Dividend paid and declared during the year ended 31 March 2017 represented dividends declared by C.Y. Food Trading (HK) Company Limited, a subsidiary of the Company, to its then shareholder. This dividend was settled on 17 May 2016 by way of offsetting its then outstanding amounts due from a director of approximately HK$15,965,000, and with the remaining balance of approximately HK$1,035,000 being settled by cash on 24 October 2016.

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

12 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR – BASIC AND DILUTED

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Profit attributable to owners of the Company	**3,410**	11,073
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (in thousand)	**1,109,041**	960,000
Earnings per share (expressed in HK cents per share)	**0.31**	1.15

Note:

	Year ended 31 March	
	2017	2016
	'000	'000
Number of shares issued at the beginning of the year	**960,000**	960,000
Effect of issuance of new shares upon Placing	**149,041**	–
Weighted average number of ordinary shares for basic earnings per share	**1,109,041**	960,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per shares has been determined on the assumption that the Reorganisation and Capitalisation Issue as described in Note 1(b) h had been effective from 1 April 2015.

The Group does not have any potential dilutive option or other instruments relating to ordinary shares.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2015					
Cost	19,198	737	2,578	782	23,295
Accumulated depreciation	(1,645)	(589)	(2,201)	(428)	(4,863)
Net book amount	17,553	148	377	354	18,432
Year ended 31 March 2016					
Opening net book amount	17,553	148	377	354	18,432
Additions	–	–	52	413	465
Depreciation	(548)	(148)	(375)	(243)	(1,314)
Closing net book amount	17,005	–	54	524	17,583
At 31 March 2016					
Cost	19,198	737	2,540	1,135	23,610
Accumulated depreciation	(2,193)	(737)	(2,486)	(611)	(6,027)
Net book amount	17,005	–	54	524	17,583
Year ended 31 March 2017					
Opening net book amount	17,005	–	54	524	17,583
Additions	–	–	305	–	305
Depreciation	(548)	–	(59)	(262)	(869)
Closing net book amount	16,457	–	300	262	17,019
At 31 March 2017					
Cost	19,198	737	2,845	1,135	23,915
Accumulated depreciation	(2,741)	(737)	(2,545)	(873)	(6,896)
Net book amount	16,457	–	300	262	17,019

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense of HK$428,000 (2016: HK$747,000) and HK$441,000 (2016: HK$567,000) has been charged to cost of sales and selling and administrative expenses, respectively, for the year ended 31 March 2017.

As at 31 March 2017, bank borrowing of HK$18,499,000 (2016: HK$18,629,000) is secured by land and buildings for the value of HK$16,457,000 (2016: HK$17,005,000).

As at 31 March 2017, finance lease of HK$266,000 (2016: HK$346,000) is secured by a motor vehicle amounted to HK$217,000 (2016: HK$341,000).

Motor vehicles includes the following amounts where the Group is a lessee under a finance lease:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Cost – capitalised finance leases	**413**	413
Accumulated depreciation	**(196)**	(72)
	217	341

14 DEFERRED INCOME TAX

The analysis of deferred income tax is as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**90**	117
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(576)**	(584)

14 DEFERRED INCOME TAX (Continued)

The gross movements in the deferred income tax account are as follows:

	2017 **HK$'000**	2016 HK$'000
At beginning of the year	**(467)**	(593)
(Charged)/credited to consolidated statement of comprehensive income (Note 10)	**(19)**	126
At end of the year	**(486)**	(467)

The movements in deferred income tax during the year are as follows:

Deferred income tax assets:

	Decelerated tax depreciation HK$'000
At 1 April 2015	78
Recognised in the consolidated statement of comprehensive income	39
At 31 March 2016	117
At 1 April 2016	117
Recognised in the consolidated statement of comprehensive income	(27)
At 31 March 2017	90

14 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000
At 1 April 2015	(671)
Recognised in the consolidated statement of comprehensive income	87
At 31 March 2016	(584)
At 1 April 2016	(584)
Recognised in the consolidated statement of comprehensive income	8
At 31 March 2017	(576)

15 INTEREST IN A JOINT VENTURE

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Investment in a joint venture	**1,000**	–
Share of loss for the year	**(147)**	–
	853	–

Movement in the investment in a joint venture is as follows:

	2017 HK$'000	2016 HK$'000
At 1 April	**–**	–
Addition	**1,000**	–
Share of loss for the year	**(147)**	–
At 31 March	**853**	–

15 INTEREST IN A JOINT VENTURE (Continued)

The following are the details of the investment in a joint venture as at 31 March 2017.

Name of company	Place of incorporation and operation	% of ownership interest	Principal activities	Measurement method
China Bright International Investment Limited	Hong Kong, Hong Kong	50%	Manufacturing of bakery products	Equity

China Bright International Investment Limited is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's investments in a joint venture, and there were no contingent liabilities of the joint venture itself as at 31 March 2017.

Summarised financial information for a joint venture

Set out below are the summarised financial information for China Bright International Investment Limited which is accounted for using the equity method.

Summarised statement of financial position

	As at 31 March 2017 HK$'000
Current	
Cash and cash equivalents	885
Other current assets (excluding cash and cash equivalents)	320
Total current assets	1,205
Other current liabilities	(6)
Non-current	
Other non-current assets	507
Net assets	1,706
Interest in the joint venture @50%	853

15 INTEREST IN A JOINT VENTURE (Continued)

Summarised statement of comprehensive income

	For the period ended 31 March 2017 HK$'000
Revenue	685
Loss for the period	(294)
Share of loss in the joint venture @50%	(147)

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Assets as per consolidated statement of financial position		
Loans and receivables		
– Trade receivables	**22,142**	26,955
– Deposits	**97**	95
– Amount due from a director	**–**	16,012
– Cash and cash equivalents	**68,924**	9,479
Total	**91,163**	52,541
Liabilities as per consolidated statement of financial position		
Other financial liabilities subsequently measured at amortised cost – Trade payables	**16,549**	27,592
– Other payables (excluding non-financial liabilities)	**3,375**	1,809
– Borrowings (exclude finance lease obligation)	**18,499**	18,691
– Finance lease obligation	**266**	346
Total	**38,689**	48,438

17 TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Trade receivables (Note a)		
– Related parties (Note 27(b))	**113**	127
– Third parties	**22,029**	26,828
	22,142	26,955
Prepayment for property, plant and equipment	**2,631**	200
Prepayment of listing expenses	**–**	1,283
Other prepayments	**548**	100
Other receivables and deposits	**97**	95
	3,276	1,678
Less non-current portion: prepayments	**(2,648)**	(200)
Deposits and prepayments included in current assets	**628**	1,478

(a) Trade receivables

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Trade receivables	**22,142**	26,955
Less: provision for impairment of trade receivables	**–**	–
	22,142	26,955

The carrying amounts of trade receivables approximate their fair values.

17 TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

The Group normally grants credit terms to its customers ranging from 0 to 90 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
1 to 30 days	**13,565**	15,052
31 to 60 days	**6,882**	8,543
61 to 90 days	**758**	1,988
91 to 120 days	**260**	276
Over 120 days	**677**	1,096
Total	**22,142**	26,955

As at 31 March 2017, HK$1,812,000 (2016: HK$4,426,000) was past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

The ageing analysis of the trade receivables based on due date is as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Not yet past due	**20,330**	22,529
Past due but not impaired		
1 to 30 days	**1,404**	3,908
31 to 60 days	**173**	148
61 to 90 days	**4**	169
Over 90 days	**231**	201
Total	**22,142**	26,955

17 TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

Movements on the provision for impairment of trade receivables are as follows:

	2017 HK$'000	2016 HK$'000
At 1 April	–	59
Add: Provision for impairment of trade receivables	19	6
Less: Provision written off	(11)	(41)
Less: Amount recovered	(8)	(24)
At 31 March	–	–

The carrying amounts of the Group's trade receivables are denominated in HK$.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

18 INVENTORIES

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Raw materials	607	863
Less: Provision for obsolete inventories	–	–
Inventories, net	607	863

The cost of inventories included in cost of sales during the year amounted to approximately HK$110,356,000 and HK$99,884,000 for the years ended 31 March 2016 and 2017, respectively.

19 CASH AND CASH EQUIVALENTS

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Cash at bank	**68,910**	9,465
Cash on hand	**14**	14
	68,924	9,479

Notes:

(a) The amounts represent cash and cash equivalents in the consolidated statement of cash flows.

(b) The Group's cash and bank balances are denominated in the following currencies:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
HK$	**68,923**	9,474
United States dollars	**1**	5
	68,924	9,479

20 SHARE CAPITAL/PAID-IN CAPITAL AND SHARE PREMIUM

The Paid-in Capital of the Group as at 31 March 2016 represented the aggregate of share capital of the companies now comprising the Group. The share capital of the Group as at 31 March 2017 represented the share capital of the Company.

	Number of Ordinary share (in thousand)	Nominal value of ordinary share HK$'000	Share premium HK$'000
Authorised share capital			
Ordinary shares of HK$0.01 each			
As at 6 April 2016 (Date of incorporation) (note a)	38,000	380	–
Increase in authorised share capital (note b)	1,962,000	19,620	–
As at 31 March 2017	2,000,000	20,000	–
Issued and fully paid			
Ordinary shares of HK$0.01 each			
As at 6 April 2016 (Date of incorporation) (note a)	–	–	–
Issue of shares to Class Line (note c)	10	–	–
Issue of new shares upon placing, net of share issuing expenses (note e)	320,000	3,200	61,171
Capitalisation of shares (note d)	959,990	9,600	(9,600)
	1,280,000	12,800	51,571

Notes:

(a) On 6 April 2016, the Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same date, one nil-paid ordinary share was allotted and issued to Classic Line.

(b) On 26 September 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by creation of an additional 1,962,000,000 shares, each ranking pari passu in all respects with the then existing shares.

(c) On 16 May 2016, Classic Line, Mr. Liu and the Company entered into a share swap deed pursuant to which the Company acquired the entire issued share capital of Eminent Ace from Classic Line and as consideration, the Company credited 10,000 nil-paid shares held by Classic Line as fully paid.

(d) Pursuant to the written resolutions passed on 26 September 2016, upon completion of the placing, the Company was authorised to capitalise a sum of approximately HK$9,600,000 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 959,990,000 ordinary shares of the Company.

(e) The Company's shares were successfully listed on GEM on 13 October 2016. Upon the completion of the Listing, 320,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.225 per share for a total consideration, net of share issuing expenses, of HK$64,371,000.

21 OTHER RESERVE

Other reserve of the Group mainly represents the paid-in capital of the companies now comprising the Group in relation to the Group's Reorganisation.

22 BORROWINGS

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Non-current, secured		
Finance lease obligation (non-current portion) (Note (b))	**181**	266
	181	266
Current, secured		
Portion of long-term bank borrowings due for repayment within 1 year (Note (a))	**–**	62
Bank borrowings due for repayment after 1 year which contain a repayment on demand clause (Note (a))	**18,499**	18,629
Finance lease obligation (current portion) (Note (b))	**85**	80
	18,584	18,771
Total borrowings	**18,765**	19,037

All borrowings, including the bank loans which contain repayment on demand clause, are carried at amortised cost.

The carrying amounts of the borrowings approximate their fair values, the weighted average interest rates were 2.79% and 2.5% as at 31 March 2016 and 31 March 2017, respectively.

22 BORROWINGS (Continued)

Note (a) Bank borrowings

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Bank borrowings due for repayment within one year (Note (i))	**–**	62
Bank borrowings due for repayment after one year which contain a repayment on demand clause (Note (ii))	**18,499**	18,629
	18,499	18,691

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

Note (i):

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

These bank borrowings are secured/guaranteed by a personal guaranteed executed by the controlling shareholder. These borrowings were fully repaid on 4 April 2016 and the personal guarantee had been released subsequently.

Note (ii):

As at 31 March 2016, total bank borrowings of HK$18,629,000 was secured/guaranteed by:

(i) joint guarantee executed by the controlling shareholder and Mr. Chan Kam Cheong;

(ii) guarantee provided by a company within the Group; and

(iii) properties held by the Group.

As at 31 March 2017, total bank borrowings of HK$18,499,000 was secured/guaranteed by:

(i) Corporate guarantee provided by the Company; and

(ii) properties held by the Group.

22 BORROWINGS (Continued)

Note (b) Finance lease obligation

The Group's finance lease was repayable as follows:

	As at 31 March 2017 HK$'000	As at 31 March 2016 HK$'000
Gross finance lease liabilities-minimum lease payments		
No later than 1 year	**95**	95
Later than 1 year and no later than 5 years	**190**	285
	285	380
Future finance charges on finance leases	**(19)**	(34)
Present value of finance lease liabilities	**266**	346
The present value of finance lease liabilities is as follows:		
No later than 1 year	**85**	80
Later than 1 year and no later than 5 years	**181**	266
	266	346

Note: The amounts due are based on the scheduled repayment dates set out in the finance lease agreement.

The carrying amounts of the finance lease are denominated in HK$.

The finance lease as at 31 March 2016 was secured/guaranteed by:

(i) a motor vehicle with net book value of HK$341,000 as at 31 March 2016; and

(ii) a personal guaranteed executed by the controlling shareholder.

The finance lease as at 31 March 2017 was secured/guaranteed by:

(i) a motor vehicle with net book value of HK$271,000 as at 31 March 2017; and

(ii) a personal guaranteed executed by Mr, Liu, a director of the Company.

The rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

23 TRADE AND OTHER PAYABLES

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Trade payables (Note (a))		
– Related parties (Note 27(b))	**10**	13
– Third parties	**16,539**	27,579
	16,549	27,592
Other payables and accruals		
– Accruals for staff cost	**2,803**	2,365
– Commission payables	**70**	108
– Accrual for listing expenses	**500**	85
– Other accruals and other payables	**1,181**	344
	4,554	2,902
	21,103	30,494

(a) Trade payables

As at 31 March 2016 and 31 March 2017, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
0 to 30 days	**8,056**	9,652
31 to 60 days	**4,930**	7,822
61 to 90 days	**3,563**	5,485
Over 90 days	**–**	4,633
	16,549	27,592

The carrying amounts of the Group's trade payables are denominated in HK$. The carrying amounts of trade payables approximate their fair values.

24 CASH GENERATED FROM OPERATIONS

Reconciliation of cash generated from operations

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Profit before income tax	**6,696**	13,709
Adjustments for:		
Finance income	**(2)**	(1)
Finance costs	**833**	587
Depreciation of property, plant and equipment (Note 7)	**869**	1,314
Provision for/(reversal of) impairment of trade receivables, net	**11**	(18)
Share of loss of a joint venture	**147**	–
Operating profit before working capital changes	**8,554**	15,591
Changes in working capital		
Inventories	**256**	(568)
Trade receivables	**4,802**	(3,621)
Deposits and prepayments	**11**	(29)
Prepayment of listing expense	**622**	(622)
Trade payables	**(11,043)**	(3,566)
Accruals and other payables	**1,652**	146
Cash generated from operations	**4,854**	7,331

25 OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases in respect of production facilities, parking lots and director quarter are as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
No later than 1 year	**987**	478
Later than 1 year and no later than 5 years	**63**	444
	1,050	922

The Group has no other material commitments as at 31 March 2016 and 31 March 2017.

26 CONTINGENCIES

As at 31 March 2017, there were no material contingent liabilities relating to the Group (2016: same).

27 RELATED-PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following companies were related parties that had material transactions or balances with the Group during the years ended 31 March 2016 and 2017:

Name of the related party	Relationship with the Group
China Land Restaurant Limited	The director, Liu Chi Ching has beneficial interest in the company
Winning Tender Limited	The director, Liu Chi Ching has beneficial interest in the company
Siberi Trading Company Limited	The director, Liu Chi Ching has beneficial interest in the company (this company ceased its related party's relation with the Group since November 2015)
Across Well Limited	The director, Liu Chi Ching has beneficial interest in the company
Mr. Liu Chi Ching	A shareholder and director of the Company
Au Kit Ying	The owners of this partnership business are related persons to Liu Chi Ching, the shareholder and the director of the Company

In addition to the related party information disclosed above, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year, and balances arising from related party transactions as at year end.

27 RELATED-PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Continuing related parties' transactions		
Sales of goods to related companies		
– China Land Restaurant Limited	**679**	691
– Winning Tender Limited	**643**	641
Rental expenses charged by a related company		
– Across Well Limited	**336**	336
Purchase of goods from a related party		
– Au Kit Ying	**82**	88
Discontinued related parties' transactions		
Purchase of goods from a related company		
– Siberi Trading Company Limited	**–**	144

(b) Balance with related parties

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Amount due from a director	**–**	16,012
Amount due from China Land Restaurant Limited	**61**	62
Amount due from Winning Tender Limited	**52**	65
Amount due to Au Kit Ying	**10**	13

The amount due from a director as at 31 March 2016 solely represented amount due from Mr. Liu Chi Ching. The amount was non-trade in nature, unsecured, interest-free and repayable on demand.

The carrying amount approximated its fair value and was denominated in HK$.

(c) Key management compensation

Key management includes executive directors of the Group. The compensation paid or payable to key management for employee services is disclosed in Note 8(b).

28 PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following is a list of the subsidiaries at 31 March 2017:

Company name	Country/place of incorporation/ establishment	Registered/issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent	Proportion of ordinary shares held by the Group
Eminent Ace Group Limited	BVI	US$1	Investment holding/ Hong Kong	100%	–
C.Y. Food Trading (HK) Company Limited	Hong Kong	HK$1	Processing and distribution of vegetables and other food/Hong Kong	–	100%
Lion Metro Limited	BVI	US$1	Investment holding/ Hong Kong	–	100%
Healthy Cheer International Limited	Hong Kong	HK$100,000	Property holding and investment/Hong Kong	–	100%
Profit Star Holdings Limited	Seychelles	US$1	Investment holding/ Hong Kong	100%	–

29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 March 2017 HK$'000	2016 HK$'000
ASSETS			
Non-current asset			
Investments in subsidiaries		**7,295**	–
Total non-current asset		**7,295**	–
Current asset			
Amount due from a subsidiary		**63,191**	–
Total current asset		**63,191**	–
Total assets		**70,486**	–
EQUITY			
Equity attributable to owners of the Company			
Share capital		**12,800**	–
Share premium	29 (a)	**51,571**	–
Other reserve	29 (a)	**6,295**	–
Accumulated losses	29 (a)	**(305)**	–
Total equity		**70,361**	–
LIABILITY			
Current liabilities			
Accruals and other payables		**125**	–
Total liabilities		**125**	–
Total equity and liabilities		**70,486**	–

As at 31 March 2016, the Company had not been incorporated and, accordingly, it had no assets, liabilities or distributable reserves on that date.

The statement of financial position was approved for issue by the Board of Directors on 19 June 2017 and were signed on its behalf.

Liu Chi Ching	**Wu Shuk Kwan**
Director	Director

29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Share premium HK$'000	Other reserve HK$'000	Accumulated losses HK$'000
At 6 April 2016 (date of incorporation)	–	–	–
Issuance of shares and effects of the Reorganisation	–	6,295	–
Issue of new shares upon placing, net of share issuing expenses	61,171	–	–
Capitalisation of shares	(9,600)	–	–
Loss for the period	–	–	(305)
At 31 March 2017	51,571	6,295	(305)

Other reserve of the Company mainly represents the different of the nominal value of the share issued and the net asset value of the subsidiaries of the Company upon the Reorganisation in 2016.