

The following is the text of a report, prepared for the purpose of incorporation of this document, received from the reporting accountants of the Company, HLM CPA Limited, Certified Public Accountants, Hong Kong.

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

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WORLD SUPER HOLDINGS LIMITED

Introduction

We report on the historical financial information of World Super Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-72, which comprises the combined statement of financial position of the Group as at 31 December 2016, 31 December 2017 and 31 December 2018, the statement of financial position of the Company as at 31 December 2016, 31 December 2017 and 31 December 2018, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-72 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 June 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2016, 31 December 2017 and 31 December 2018, of the Company's financial position as at 31 December 2016, 31 December 2017 and 31 December 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the entity now comprising the Group in respect of the Track Record Period which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

HLM CPA Limited*Certified Public Accountants***Ng Fai Fiona**

Practising Certificate Number P04986

Hong Kong, 27 June 2019

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of the Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with the Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollar ("HK\$"), which is also the functional currency of the Company and all values are rounded to the nearest dollar except where otherwise indicated.

A. HISTORICAL FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>NOTES</i>	Year ended 31 December		
		2016 <i>HK\$</i>	2017 <i>HK\$</i>	2018 <i>HK\$</i>
Revenue	7	34,570,762	38,363,829	43,781,015
Cost of sales and services		<u>(21,913,326)</u>	<u>(17,693,357)</u>	<u>(18,512,261)</u>
Gross profit		12,657,436	20,670,472	25,268,754
Other income	8	1,586,024	1,391,212	3,629,430
Other operating expenses		(2,552,669)	(2,997,261)	(1,520,106)
Administrative expenses		(11,834,726)	(12,304,920)	(11,644,226)
Selling and distribution expenses		(1,296,589)	(1,181,288)	(1,165,678)
Finance costs	9	<u>(3,309,808)</u>	<u>(4,181,305)</u>	<u>(3,776,170)</u>
(Loss) profit before taxation		(4,750,332)	1,396,910	10,792,004
Income tax credit (expense)	10	<u>517,561</u>	<u>(2,076,150)</u>	<u>(2,765,884)</u>
(Loss) profit and total comprehensive (expense) income for the year	11	<u><u>(4,232,771)</u></u>	<u><u>(679,240)</u></u>	<u><u>8,026,120</u></u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	NOTES	2016 HK\$	2017 HK\$	2018 HK\$
Non-current Assets				
Plant and equipment	15	84,502,839	82,675,406	106,245,193
Right of use assets	16	2,209,465	2,042,320	1,400,478
		<u>86,712,304</u>	<u>84,717,726</u>	<u>107,645,671</u>
Current Assets				
Inventories	17	1,690,865	987,905	1,404,505
Trade and other receivables	18	15,827,901	10,923,388	13,526,512
Bank balances and cash	19	1,014,112	470,502	313,138
Pledged bank deposits	19	1,000,034	3,402,452	2,902,912
		<u>19,532,912</u>	<u>15,784,247</u>	<u>18,147,067</u>
Current Liabilities				
Trade and other payables	20	8,605,805	6,278,993	9,867,245
Borrowings — due within one year	21	4,920,000	7,303,353	7,373,304
Obligations under finance leases				
— due within one year	22	41,118,351	32,691,689	44,026,065
Convertible Bonds				
— due within one year	23	—	—	14,482,003
Bank overdrafts	19	6,058,688	4,352,400	1,489,724
Lease liabilities				
— current portion	24	1,247,341	1,228,128	1,225,497
		<u>61,950,185</u>	<u>51,854,563</u>	<u>78,463,838</u>
Net Current Liabilities		<u>(42,417,273)</u>	<u>(36,070,316)</u>	<u>(60,316,771)</u>
Total Assets less Current Liabilities		<u>44,295,031</u>	<u>48,647,410</u>	<u>47,328,900</u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)

COMBINED STATEMENTS OF FINANCIAL POSITION (Continued)

	NOTES	As at 31 December		
		2016 HK\$	2017 HK\$	2018 HK\$
Non-current Liabilities				
Borrowings — due after one year	21	—	1,967,298	594,306
Obligations under finance leases				
— due after one year	22	303,043	129,316	526,802
Convertible Bonds				
— due after one year	23	12,210,410	13,473,214	—
Deferred tax liabilities	25	2,170,966	4,247,116	7,013,000
Lease liabilities				
— non current portion	24	975,084	874,178	212,384
		<u>15,659,503</u>	<u>20,691,122</u>	<u>8,346,492</u>
Net Assets		<u><u>28,635,528</u></u>	<u><u>27,956,288</u></u>	<u><u>38,982,408</u></u>
Capital and Reserves				
Issued capital	26	1	1	1
Reserves		<u>28,635,527</u>	<u>27,956,287</u>	<u>38,982,407</u>
Total Equity		<u><u>28,635,528</u></u>	<u><u>27,956,288</u></u>	<u><u>38,982,408</u></u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Issued capital HK\$	Share premium HK\$	Merger reserve HK\$ (Note i)	Convertible bonds equity reserve HK\$ (Note ii)	Retained profits HK\$	Total HK\$
At 1 January 2016	1,500,000	—	—	—	26,954,299	28,454,299
Loss and total comprehensive expense for the year	—	—	—	—	(4,232,771)	(4,232,771)
Issue of shares	4,000,000	—	—	—	—	4,000,000
Dividend (Note 13)	—	—	—	—	(450,000)	(450,000)
Arising from reorganisation	(5,499,999)	—	5,499,999	—	—	—
Recognition of equity component of convertible bonds	—	—	—	864,000	—	864,000
At 31 December 2016 and 1 January 2017	1	—	5,499,999	864,000	22,271,528	28,635,528
Loss and total comprehensive expense for the year	—	—	—	—	(679,240)	(679,240)
At 31 December 2017 and 1 January 2018	1	—	5,499,999	864,000	21,592,288	27,956,288
Issue of shares (Note 26)	—*	3,000,000	—	—	—	3,000,000
Profit and total comprehensive income for the year	—	—	—	—	8,026,120	8,026,120
At 31 December 2018	1	3,000,000	5,499,999	864,000	29,618,408	38,982,408

Notes:

- (i) Merger reserve represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of World Super, a subsidiary which was acquired by the Company pursuant to the Group Reorganisation.
- (ii) The convertible bonds equity reserve represents the equity component of convertible bonds issued by the Company. Items included in convertible bonds equity reserve will not be reclassified subsequently to profit or loss.

* Issued capital for the year less then HK\$0.1.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

COMBINED STATEMENTS OF CASH FLOWS

	NOTES	Year ended 31 December		
		2016 HK\$	2017 HK\$	2018 HK\$
Operating activities				
(Loss) profit before taxation		(4,750,332)	1,396,910	10,792,004
Adjustments for:				
Interest income	8	(58)	(7,591)	(6,110)
Listing expenses		4,460,166	5,490,142	4,941,045
Depreciation on plant and equipment	15	6,027,121	6,511,426	6,400,342
Depreciation on right of use assets	16	786,661	1,311,979	1,347,308
Finance costs	9	3,309,808	4,181,305	3,776,170
Gain on disposal of plant and equipment	8	(1,400,667)	(1,328,749)	(3,622,789)
Impairment on intangible assets	11	301,887	—	—
Impairment on trade receivables	11	14,788	—	—
Operating cash flows before movements in working capital		8,749,374	17,555,422	23,627,970
Decrease (Increase) in inventories		202,369	702,960	(416,600)
(Increase) Decrease in trade and other receivables		(1,683,230)	5,507,061	(2,672,389)
Increase (Decrease) in trade and other payables		1,611,885	(3,009,312)	1,492,302
Decrease in amount due to a director		(25,032)	—	—
Net cash generated from operating activities		<u>8,855,366</u>	<u>20,756,131</u>	<u>22,031,283</u>
Investing activities				
Purchase of plant and equipment		(14,850,933)	(1,073,067)	(4,168,481)
Placement of pledged bank deposits		(1,000,000)	(4,900,000)	—
Proceeds from disposal of plant and equipment		1,829,000	1,530,000	6,281,700
Interest income received		24	5,173	5,650
Withdrawal of pledged bank deposit		—	2,500,000	500,000
Net cash (used in) generated from investing activities		<u>(14,021,909)</u>	<u>(1,937,894)</u>	<u>2,618,869</u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)

COMBINED STATEMENTS OF CASH FLOWS (Continued)

	NOTES	Year ended 31 December		
		2016 HK\$	2017 HK\$	2018 HK\$
Financing activities				
Interest paid	31	(2,235,398)	(2,918,501)	(2,767,381)
Dividend paid		(450,000)	—	—
New borrowings raised	31	12,920,000	11,000,000	3,000,000
Repayments of borrowings	31	(2,910,000)	(6,649,349)	(4,303,041)
Repayments of obligations under finance leases	31	(14,051,990)	(12,412,566)	(16,728,697)
Proceeds on issue of shares		—	—	3,000,000
Proceeds on issue of Convertible Bonds		12,000,000	—	—
Payment of listing expenses		(5,946,888)	(5,410,190)	(2,775,830)
Repayment of lease liabilities	31	(773,701)	(1,264,953)	(1,369,891)
Net cash used in financing activities		<u>(1,447,977)</u>	<u>(17,655,559)</u>	<u>(21,944,840)</u>
Net (decrease) increase in cash and cash equivalents		(6,614,520)	1,162,678	2,705,312
Cash and cash equivalents at beginning of the year		<u>1,569,944</u>	<u>(5,044,576)</u>	<u>(3,881,898)</u>
Cash and cash equivalents at end of the year		<u><u>(5,044,576)</u></u>	<u><u>(3,881,898)</u></u>	<u><u>(1,176,586)</u></u>
Cash and cash equivalents at end of the year, represented by				
Bank balances and cash		1,014,112	470,502	313,138
Bank overdrafts		(6,058,688)	(4,352,400)	(1,489,724)
		<u><u>(5,044,576)</u></u>	<u><u>(3,881,898)</u></u>	<u><u>(1,176,586)</u></u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	As at 31 December		
		2016 HK\$	2017 HK\$	2018 HK\$
Non-current Asset				
Investments in subsidiaries	28A	78	78	78
Current Assets				
Amount due from subsidiaries		17,089,612	16,978,058	17,453,531
Prepayments		66,250	112,320	695,794
Bank balance and cash		145,782	7,807	8,265
		<u>17,301,644</u>	<u>17,098,185</u>	<u>18,157,590</u>
Current Liabilities				
Accrued expense		—	—	2,793,450
Convertible Bonds — due within one year	23	—	—	14,482,003
		—	—	17,275,453
Net Current Assets		<u>17,301,644</u>	<u>17,098,185</u>	<u>882,137</u>
Non-current Liability				
Convertible Bonds — due after one year	23	<u>12,210,410</u>	<u>13,473,214</u>	<u>—</u>
Net Assets		<u><u>5,091,312</u></u>	<u><u>3,625,049</u></u>	<u><u>882,215</u></u>
Capital and Reserves				
Share capital	26	1	1	1
Convertible bonds equity reserve	28B	864,000	864,000	864,000
Share premium	28B	5,499,999	5,499,999	8,499,999
Accumulated losses	28B	<u>(1,272,688)</u>	<u>(2,738,951)</u>	<u>(8,481,785)</u>
Total Equity		<u><u>5,091,312</u></u>	<u><u>3,625,049</u></u>	<u><u>882,215</u></u>

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION****1. GENERAL**

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 26 February 2016. The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the Company's principal place of business is located at Unit 3403, 34/F, AIA Tower, 183 Electric Road, North Point, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are investment holding, hiring of plant and machinery, trading of machinery, tools and parts, and provision of transportation and other related services.

The Historical Financial Information is presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**(A) Reorganisation**

Prior to the Group Reorganisation, World Super were owned by Mr. Sou Peng Kan, Albert ("Mr. Sou"), Mr. Fok Hei Yuen, Paul ("Mr. Fok"), Ms. Chu Wing Yee ("Ms. Chu") (collectively, the "Controlling Parties") and Ms. Sou Lai Kuan ("Ms. Sou") as to 36%, 22%, 18% and 24% respectively.

In preparation for the listing of the Company's shares on the Stock Exchange, the Group Reorganisation involved the following steps:

- (1) The Company was incorporated in the Cayman Islands as an exempted company on 26 February 2016. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon incorporation, one nil-paid subscriber share was allotted and issued to the subscriber, which was transferred to Mr. Sou on 26 February 2016.
- (2) New Pilot Global was incorporated in the BVI on 1 February 2016 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 26 February 2016, ten subscriber shares were allotted and issued to the Company.
- (3) On 30 April 2016, a loan of HK\$4,000,000 due from World Super to Mr. Sou was capitalised by the allotment and issue of 200,000 new shares by World Super to Mr. Sou.
- (4) On 30 May 2016, (i) Mr. Sou acquired 195,500 shares of World Super from Ms. Sou at a consideration of HK\$3,519,000; (ii) Ms. Chu acquired 86,500 shares of World Super from Ms. Sou at a consideration of HK\$1,557,000; (iii) Mr. Fok acquired 78,000 shares of World Super from Ms. Sou at a consideration of HK\$1,404,000.
- (5) On 31 May 2016, New Pilot Global acquired (i) 935,500 shares of World Super from Mr. Sou and in consideration of the acquisition, New Pilot Global procured the Company to allot and issue 54 shares, credited as fully paid, to Mr. Sou; (ii) 356,500 shares of World Super from Ms. Chu and in consideration of the acquisition, New Pilot Global procured the Company to allot and issue 21 shares, credited as fully paid, to Ms. Chu; and (iii) 408,000 shares of World Super from Mr. Fok and in consideration of the acquisition, New Pilot Global procured the Company to allot and issue 24 shares, credited as fully paid, to Mr. Fok. Upon completion of the acquisitions, World Super becomes a wholly-owned subsidiary of New Pilot Global.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION** *(Continued)***(A) Reorganisation** *(Continued)*

Upon completion of the above steps, the Company was owned by the Controlling Parties and the Company became the holding company of the companies now comprising the Group on 31 May 2016. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity.

The Historical Financial Information has been prepared under the principles of merger accounting in accordance with AG5 issued by HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period and the combined statements of financial position of the Group as at 31 December 2016, 2017 and 2018 are prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entity, where there is a shorter period.

(B) Going concern

Notwithstanding that the Group had incurred net current liabilities of approximately HK\$60,317,000 as at 31 December 2018, the combined financial statements at 31 December 2018 have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year after taking into consideration of the following matters:

- (i) The obligations under finance leases — due within one year (the “Leases”) of approximately HK\$28,769,000 with the repayment on demand clause which are not repayable within one year from the end of the reporting period according to the repayment schedule were classified as current liabilities in accordance with HK Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the HKICPA. The Leases were pledged against the plant and machinery of HK\$89,019,776 owned by the Group as at 31 December 2018, hence, its repayment is expected to be fully recovered through the realisation of this asset by sale should the repayment on demand clause be exercised.
- (ii) The directors of the Company anticipate that the Group will generate a positive cash flow from its operations; and
- (iii) As at 31 December 2018, the Group has unutilised banking facilities of approximately HK\$6,010,276.

The directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2018. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these financial statements on a going concern basis. The combined financial statements as at 31 December 2018 do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied all HKFRSs which are effective for annual periods beginning on 1 January 2018 throughout the Track Record Period.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The expected credit losses model under HKFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. HKFRS 9 requires an entity to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

The application of HKFRS 9 in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these accountants’ report.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**
*(Continued)***HKFRS 15 Revenue from Contracts with Customers**

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

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

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

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

The application of HKFRS 15 in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these accountants’ report.

The HKFRS 9 replaces the HKAS 39 and the HKFRS 15 replaces the HKAS18. There is no material impact on financial position and performance when compared to that of HKAS 39 and HKAS18.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**
*(Continued)***HKFRS 16 Leases**

The Group has elected to early adopt Hong Kong Financial Reporting Standard 16 “Leases” (“HKFRS 16”) as issued by the HKICPA for its Track Record Period. The Group believes the new accounting policies provide more relevant information for users to assess the nature, amounts and timing of assets, liabilities and cash flows arising from leases accounting. The adoption of HKFRS 16 in the Track Record Period resulted in changes in accounting policies and adjustments to the amounts recognised in the financial information.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognize the lease liabilities and right of use assets in the combined statement of financial position at date of initial application in the Track Record Period. The Group elected to apply the practical expedient for completed contracts and did not restate the leases for which the lease term ends within 12 months of the date of initial application.

HKFRS 16 replaces the provisions of HKAS 17 “Leases” (“HKAS 17”) that relate to the recognition, classification and measurement of leases accounting. The effects of the adoption of HKFRS 16 are as follows:

Presentation of lessee accounting and lessor accounting

- For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.
- For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Accounting for lease liabilities and right of use assets

The Group recognise a lease liability at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Group measure that lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application. The incremental borrowing rates are 4.97%, 4.96% and 4.79% for the years ended 31 December 2016, 2017 and 2018 respectively.

The Group recognise a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Group measure a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the combine statement of financial position immediately before the date of initial application.

The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group’s combined statement of cash flow.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 Leases (Continued)

Accounting for costs incurred

The Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets.

The amount by each financial information line items affected in the Track Record Period by the application of HKFRS 16 as compared to HKAS 17 that was previously in effect before the adoption of HKFRS 16 is as follows:

	Year ended 31 December 2018		
	Amounts without early adoption of HKFRS 16 HK\$	Effects of the adoption of HKFRS 16 HK\$	Amount as report HK\$
Combined statement of profit or loss and other comprehensive income (extract)			
Cost of sales and services	(18,541,629)	29,368	(18,512,261)
Other income	3,737,377	(107,947)	3,629,430
Administrative expenses			
— Rental expenses (Office premises)	(744,349)	630,960	(113,389)
— Rental expenses (Director's accommodation)	(369,600)	369,600	—
— Rental expenses (Warehouses)	(630,000)	456,000	(174,000)
— Depreciation of right of use assets	—	(1,347,308)	(1,347,308)
Finance costs	(3,689,501)	(86,669)	(3,776,170)
Income tax expenses	(2,778,850)	12,966	(2,765,884)

	Year ended 31 December 2018		
	Amounts without early adoption of HKFRS 16 HK\$	Effects of the adoption of HKFRS 16 HK\$	Amount as report HK\$
Combined statement of financial position (extract)			
Plant and equipment	106,522,536	(277,343)	106,245,193
Right of use assets	—	1,400,478	1,400,478
Deferred income	152,926	(152,926)	—
Borrowing	6,000,000	1,967,610	7,967,610
Obligations under finance lease	46,520,477	(1,967,610)	44,552,867
Lease liabilities	—	1,437,881	1,437,881
Deferred tax liabilities	7,033,529	(20,529)	7,013,000
Retained profits	29,759,699	(141,291)	29,618,408

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")
(Continued)

HKFRS 16 Leases (Continued)

	Year ended 31 December 2017		
	Amounts without early adoption of HKFRS 16 HK\$	Effects of the adoption of HKFRS 16 HK\$	Amount as report HK\$
Combined statement of financial position (extract)			
Plant and equipment	82,982,117	(306,711)	82,675,406
Right of use assets	—	2,042,320	2,042,320
Deferred income	260,873	(260,873)	—
Borrowing	6,000,000	3,270,651	9,270,651
Obligations under finance lease	36,091,656	(3,270,651)	32,821,005
Lease liabilities	—	2,102,306	2,102,306
Deferred tax liabilities	4,254,679	(7,563)	4,247,116
Retained profits	21,690,549	(98,261)	21,592,288

	Year ended 31 December 2017		
	Amounts without early adoption of HKFRS 16 HK\$	Effects of the adoption of HKFRS 16 HK\$	Amount as report HK\$
Combined statement of cash flow (extract)			
Net cash generated from operations			
— Profit before taxation	1,489,774	(92,864)	1,396,910
— Depreciation on plant and equipment	6,528,557	(17,131)	6,511,426
— Depreciation on right of use assets	—	1,311,979	1,311,979
— Amortization of deferred income	(62,969)	62,969	—
— Finance costs	4,091,137	90,168	4,181,305
Net cash used in financing activities			
— Interest paid	(2,828,333)	(90,168)	(2,918,501)
— Repayment of borrowings	(5,920,000)	(729,349)	(6,649,349)
— Repayment of obligations under finance leases	(13,141,915)	729,349	(12,412,566)
— Repayment of lease liabilities	—	(1,264,953)	(1,264,953)

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 Leases (Continued)

	Year ended 31 December 2016		
	Amounts without early adoption of HKFRS 16 <i>HK\$</i>	Effects of the adoption of HKFRS 16 <i>HK\$</i>	Amount as report <i>HK\$</i>
Combined statement of profit or loss and other comprehensive income (extract)			
Administrative expenses			
— Rental expenses (Office premises)	(904,254)	574,152	(330,102)
— Rental expenses (Director's accommodation)	(381,500)	154,000	(227,500)
— Rental expenses (Warehouses)	(499,500)	114,000	(385,500)
— Depreciation of right of use assets	—	(786,661)	(786,661)
Finance costs	(3,241,357)	(68,451)	(3,309,808)

	Year ended 31 December 2016		
	Amounts without early adoption of HKFRS 16 <i>HK\$</i>	Effects of the adoption of HKFRS 16 <i>HK\$</i>	Amount as report <i>HK\$</i>
Combined statement of financial position (extract)			
Right of use assets	—	2,209,465	2,209,465
Lease liabilities	—	2,222,425	2,222,425
Retained earnings	22,284,488	(12,960)	22,271,528

	Year ended 31 December 2016		
	Amounts without early adoption of HKFRS 16 <i>HK\$</i>	Effects of the adoption of HKFRS 16 <i>HK\$</i>	Amount as report <i>HK\$</i>
Combined statement of cash flow (extract)			
Net cash generated from operations			
— Loss before taxation	(4,737,372)	(12,960)	(4,750,332)
— Depreciation on right of use assets	—	786,661	786,661
— Finance costs	3,241,357	68,451	3,309,808
Net cash used in financing activities			
— Interest paid	(2,166,947)	(68,451)	(2,235,398)
— Repayment of lease liabilities	—	(773,701)	(773,701)

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

At the date of this report, the following new standards and amendments which may be relevant to the Group have been issued but are not yet effective. The Group has not early applied these new standards and amendments.

Amendments to HKFRS 9	Prepayment features with negative compensation ¹
Amendments to HKFRS 3	Definition of a business ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ²
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 19	Plan amendment, curtailment or settlement ¹
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015-2017 Cycle ¹
HKFRS 17	Insurance Contracts ³
HK (IFRIC) — Int 23	Uncertainty over Income Tax Treatments ¹

¹ Effective for annual periods beginning on or after 1 January 2019, earlier application is permitted.

² Effective for annual periods beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except as described below, the management of the Group anticipates that the application of the other new standards and amendments will have no material impact on the Group's financial performance and positions and/or on the disclosures to the Historical Financial Information.

HKFRS 10 and HKAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendment to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investment in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The management of the Company anticipates that the application of HKFRS 10 and HKAS 28 in the future may have a material impact on the amounts reported and disclosures made in the Historical Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 10 and HKAS 28 until the Company performs a detailed review.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared in accordance with the accounting policies set out below which conform to HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

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

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

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

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

The principal accounting policies are set out below.

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

Basis of combination

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

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

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

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenues from the sales of goods in the ordinary course of business is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For sales contract for which the control of the goods is transferred at a point in time, revenue is recognised when the customer obtains the physical possession and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Rental income from machinery leasing under operating lease is recognised on a straight-line basis over the term of the relevant lease.

Operating service income and other services income are recognised when services are rendered.

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

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Leasing**

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

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments, are recognised as lease liability at the date of initial application. The Group measure that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group recognise a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Group measure a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the combined statement of financial position immediately before the date of initial application.

The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's combined statement of cash flow.

The Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Foreign currencies**

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

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

Borrowing costs

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

Retirement benefit costs

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

Taxation

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

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

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

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

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Taxation** *(Continued)*

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segment" are the same as those used in its financial statements prepared under HKFRS 8.

Provisions

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

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

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

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Investment in subsidiaries**

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Investment in subsidiaries is included in the statement of financial position of the Company at cost less any identified impairment loss.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Plant and equipment and right of use assets

Plant and equipment and right of use assets held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Intangible asset**

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Financial instruments**

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

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

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*i. Classification of financial assets**Debt instruments*

HKFRS 9 has three financial asset classification categories for investments in debt instruments:

- amortised cost;
- fair value through other comprehensive income (“FVTOCI”); and
- fair value through profit or loss (“FVTPL”).

Classification is driven by the entity’s business model for managing the debt instrument and the debt instrument’s contractual cash flow characteristics.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group classifies its financial assets as FVTOCI only if both of the following criteria are met:

- the objective of the Group’s business model is to hold the asset to collect the contractual cash flows and to sell financial assets; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL.

Receivables, bank balances and deposits of the Group are classified as at amortised cost.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Financial instruments** *(Continued)***i. Classification of financial assets** *(Continued)**Equity investments*

Investment in equity instruments are always measured at fair value. Equity instruments that are held for trading are measured at FVTPL.

The Group has made an irrevocable election at initial recognition to designate the investments in equity instruments which are not held for trading to be measured at fair value through other comprehensive income rather than profit or loss.

ii. Measurement of financial assets*Financial assets measured at amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a financial asset that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in income statement when the asset is derecognised or impaired. Interest income from these financial assets is recognised in profit or loss as other income using the effective interest method.

Equity investments classified as FVTOCI

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Equity investments that are elected by the Group's management to be classified as FVTOCI do not report impairment losses (and reversal of impairment losses) separately from other changes in fair value. Dividends from such investments continue to be recognised in profit or loss as revenue when the Group's right to receive payments is established.

Financial assets at FVTPL

Changes in the fair value of financial assets at FVTPL are recognised in profit or loss as other income as applicable.

iii. Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial assets measured at amortised cost that are considered to be of low credit risk, it is assumed that no significant increase in credit risk has occurred. Thus, the impairment provision recognised during the year was limited to 12-month expected losses.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Financial instruments** *(Continued)***iii. Impairment of financial assets** *(Continued)*

For trade receivables only, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9. Management considers trade receivables do not contain a significant financing component. Thus, the impairment provision recognised during the year was equal to the lifetime expected losses.

The management of the Company has assessed the ECL allowance of all trade receivable and considered it as insignificant and therefore it did not result in an expected credit loss allowance during the Track Record Period.

When there is information (developed internally or obtained from external sources) indicating that a debtor is unlikely to pay its creditors, including the Group, in full, the Group may consider the related receivables are generally not recoverable and constitute as a default.

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

- significant financial difficulty of the counterparty;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

iv. Classification and measurement of financial liabilities

Financial liabilities including bank borrowings, other borrowings and payables are measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

v. Derecognition

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In contrast, on derecognition of an equity investment which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings.

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

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Convertible bonds**

The component parts of the convertible bonds issued by the Company are classified separately as financial liabilities and equity (a conversion option) in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Related parties

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

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

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Related parties** *(Continued)*

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

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Cash and cash equivalents**

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within six months of maturity at acquisition. For the purpose of the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period. As at 31 December 2016, 2017 and 2018, the carrying amounts of plant and equipment are HK\$84,502,839, HK\$82,675,406 and HK\$106,245,193 respectively.

Estimated impairment of plant and equipment

The Group assesses annually whether plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 December 2016, 2017 and 2018, the managements of the Group considered that there is no impairment indication and no impairment is recognised for the years.

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flow. The amount of the impairment 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 (i.e. the effective interest rate computed at initial recognition). Where the future cash flows are less than expected a further impairment loss may arise. As at 31 December 2016, 2017 and 2018, the carrying amount of trade receivables are HK\$13,809,195, HK\$8,296,254 and HK\$10,304,809 respectively.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 December		
	2016 HK\$	2017 HK\$	2018 HK\$
Financial assets			
<i>Amortised cost:</i>			
Trade and other receivables	14,119,522	8,623,290	10,600,709
Cash and cash equivalents	1,014,112	470,502	313,138
Pledged bank deposits	1,000,034	3,402,452	2,902,912
	<u>16,133,668</u>	<u>12,496,244</u>	<u>13,816,759</u>
Financial liabilities			
<i>Amortised cost:</i>			
Borrowings	4,920,000	9,270,651	7,967,610
Bank overdrafts	6,058,688	4,352,400	1,489,724
Convertible Bonds	12,210,410	13,473,214	14,482,003
Obligations under finance leases	41,421,394	32,821,005	44,552,867
Trade and other payables	8,605,805	6,278,993	7,932,746
Lease liabilities	2,222,425	2,102,306	1,437,881
	<u>75,438,722</u>	<u>68,298,569</u>	<u>77,862,831</u>

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***6. FINANCIAL INSTRUMENTS** *(Continued)***b. Financial risk management objectives and policies**

The major financial instruments of the Group include trade and other receivables except prepayments, bank balances and cash, trade and other payables, lease liabilities, borrowings, bank overdrafts, Convertible Bonds and obligations under finance leases. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group and the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate obligations under finance leases (see Note 22) and fixed-rate borrowings for the years ended 31 December 2016, 2017 and 2018. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank overdrafts (see Note 19), variable-rate borrowings and variable-rate obligations under finance leases (see Note 22) for the years ended 31 December 2016, 2017 and 2018. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analysis below, which include interest rate exposure on variable interest-bearing liabilities and deposits, have been determined based on the exposure to interest rates for all non-derivative instrument at the end of the reporting date. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points increase or decrease is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables held constant, the Group's profit for the years ended 31 December 2016, 2017 and 2018 would decrease/increase by HK\$508,837, HK\$456,783 and HK\$529,162 respectively.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***6. FINANCIAL INSTRUMENTS** *(Continued)***b. Financial risk management objectives and policies** *(Continued)****Credit risk***

As at 31 December 2016, 2017 and 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the management of the Group considers that the Group's credit risk is significantly reduced.

As at 31 December 2016, 2017 and 31 December 2018, the Group has concentration of credit risk as 67%, 23% and 22%, and 99%, 70% and 79% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The major customers of the Group are certain reputable organisation. The management of the Group considers that the credit risk is limited in this regard.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and banking facilities deemed adequate by the management to finance the operations of the Group and mitigate the effect of fluctuations in cash flows.

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

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)**Liquidity risk analysis*

	Weighted average interest rate %	On demand or less than 1 year HK\$	1 to 2 years HK\$	2 to 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
31 December 2016						
<i>Non-derivative financial liabilities</i>						
Bank overdrafts	5.75%	6,058,688	—	—	6,058,688	6,058,688
Borrowings	6.00%	4,920,000	—	—	4,920,000	4,920,000
Convertible bonds	16.38%	—	—	14,880,000	14,880,000	12,210,410
Obligations under finance leases	4.82%	41,140,653	184,224	134,140	41,459,017	41,421,394
Trade and other payables		8,605,805	—	—	8,605,805	8,605,805
Lease liabilities	4.97%	1,327,983	671,600	342,000	2,341,583	2,222,425
		<u>62,053,129</u>	<u>855,824</u>	<u>15,356,140</u>	<u>78,265,093</u>	<u>75,438,722</u>
	Weighted average interest rate %	On demand or less than 1 year HK\$	1 to 2 years HK\$	2 to 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
31 December 2017						
<i>Non-derivative financial liabilities</i>						
Bank overdrafts	6.24%	4,352,400	—	—	4,352,400	4,352,400
Borrowings	5.09%	7,443,997	1,443,997	601,665	9,489,659	9,270,651
Convertible Bonds	8.60%	—	14,880,000	—	14,880,000	13,473,214
Obligations under finance leases	4.80%	32,702,186	84,124	50,016	32,836,326	32,821,005
Trade and other payables		6,278,993	—	—	6,278,993	6,278,993
Lease liabilities	4.96%	1,302,560	894,090	—	2,196,650	2,102,306
		<u>52,080,136</u>	<u>17,302,211</u>	<u>651,681</u>	<u>70,034,028</u>	<u>68,298,569</u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)**Liquidity risk analysis*

	Weighted average interest rate %	On demand or less than 1 year HK\$	1 to 2 years HK\$	2 to 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
31 December 2018						
<i>Non-derivative financial liabilities</i>						
Bank overdrafts	6.54%	1,489,724	—	—	1,489,724	1,489,724
Borrowings	5.19%	7,445,558	602,316	—	8,047,874	7,967,610
Convertible Bonds	7.00%	14,880,000	—	—	14,880,000	14,482,003
Obligations under finance leases	4.75%	44,053,292	255,384	296,434	44,605,110	44,552,867
Trade and other payables		7,932,746	—	—	7,932,746	7,932,746
Lease liabilities	4.79%	1,263,690	215,600	—	1,479,290	1,437,881
		<u>77,065,010</u>	<u>1,073,300</u>	<u>296,434</u>	<u>78,434,744</u>	<u>77,862,831</u>

As at 31 December 2016, 2017 and 2018, certain of the Group's borrowings amounted to HK\$4,920,000, HK\$6,000,000 and HK\$6,000,000 and obligation under finance leases amounted to HK\$40,772,982, HK\$32,517,962 and HK\$43,763,800, respectively, of which the loan and finance lease agreements contain repayment on demand clauses giving the banks the unconditional right to call in the loans and finance leases at any time. Therefore, for the purpose of the above maturity profile, the amounts are classified as "on demand". Taking into account the Group's financial position and past experience, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that these financial liabilities to banks will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)**Liquidity risk analysis*

The following table details the Group's aggregate principal and interest cash outflows for bank borrowings and obligation under finance leases with a repayment on demand clause. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

	Weighted average interest rate %	Maturity Analysis - Borrowings and obligation under finance leases subject to a repayment on demand clause based on scheduled repayments			Total undiscounted cash outflows HK\$	Carrying amounts HK\$
		Less than 1 year HK\$	1 to 2 years HK\$	2 to 5 years HK\$		
31 December 2016						
Borrowings	6.00%	4,920,000	—	—	4,920,000	4,920,000
Obligation under finance leases	4.81%	13,083,810	12,973,788	18,546,477	44,604,075	40,772,982
		<u>18,003,810</u>	<u>12,973,788</u>	<u>18,546,477</u>	<u>49,524,075</u>	<u>45,692,982</u>
31 December 2017						
Borrowings	5.00%	6,281,096	—	—	6,281,096	6,000,000
Obligation under finance leases	4.80%	14,022,148	10,577,696	10,287,105	34,886,949	32,517,962
		<u>20,303,244</u>	<u>10,577,696</u>	<u>10,287,105</u>	<u>41,168,045</u>	<u>38,517,962</u>
31 December 2018						
Borrowings	5.13%	1,281,805	5,044,229	—	6,326,034	6,000,000
Obligation under finance leases	4.74%	16,718,361	12,960,570	17,700,373	47,379,304	43,763,800
		<u>18,000,166</u>	<u>18,004,799</u>	<u>17,700,373</u>	<u>53,705,338</u>	<u>49,763,800</u>

c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow methodology.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognised in the Historical Financial Information approximate their fair values.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***7. REVENUE AND SEGMENT INFORMATION**

The Group's revenue represents the net amounts received or receivable for machinery leased, goods sold and services provided in the normal course of business, net of discounts and returns.

An analysis of the Group's revenue for the Track Record Period, are as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
General sales from trading of machinery, tools and parts	14,741,518	8,325,014	10,598,263
Plant hire income	15,790,162	28,229,707	31,274,550
Transportation and other services income	4,039,082	1,809,108	1,908,202
	<u>34,570,762</u>	<u>38,363,829</u>	<u>43,781,015</u>

For management purpose, the Group is organised based on its business activities. The Group determines its operating segments based on these business activities, that are regularly reviewed by the chief operating decision maker, i.e. the executive directors of the Company, for the purpose of resources allocation and performance assessment.

Segment information about these reportable and operating segments is presented below.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

For the year ended 31 December 2016:

	General sales from trading of machinery, tools and parts <i>HK\$</i>	Plant hire income <i>HK\$</i>	Transportation and other services income <i>HK\$</i>	Total <i>HK\$</i>
Revenue				
Segment revenue from external customers	14,741,518	15,790,162	4,039,082	34,570,762
Timing of revenue recognition				
At a point in time	14,741,518	—	2,284,163	17,025,681
Over time	—	15,790,162	1,754,919	17,545,081
	<u>14,741,518</u>	<u>15,790,162</u>	<u>4,039,082</u>	<u>34,570,762</u>
Results				
Segment results	<u>4,245,875</u>	<u>3,033,369</u>	<u>2,811,455</u>	10,090,699
Unallocated income				1,586,024
Unallocated expenses				<u>(16,427,055)</u>
Loss before taxation				<u>(4,750,332)</u>

For the year ended 31 December 2017:

	General sales from trading of machinery, tools and parts <i>HK\$</i>	Plant hire income <i>HK\$</i>	Transportation and other services income <i>HK\$</i>	Total <i>HK\$</i>
Revenue				
Segment revenue from external customers	8,325,014	28,229,707	1,809,108	38,363,829
Timing of revenue recognition				
At a point in time	8,325,014	—	849,355	9,174,369
Over time	—	28,229,707	959,753	29,189,460
	<u>8,325,014</u>	<u>28,229,707</u>	<u>1,809,108</u>	<u>38,363,829</u>
Results				
Segment results	<u>2,412,851</u>	<u>13,933,239</u>	<u>1,329,151</u>	17,675,241
Unallocated income				1,391,212
Unallocated expenses				<u>(17,669,543)</u>
Profit before taxation				<u>1,396,910</u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2018:

	General sales from trading of machinery, tools and parts <i>HK\$</i>	Plant hire income <i>HK\$</i>	Transportation and other services income <i>HK\$</i>	Total <i>HK\$</i>
Revenue				
Segment revenue from external customers	<u>10,598,263</u>	<u>31,274,550</u>	<u>1,908,202</u>	<u>43,781,015</u>
Timing of revenue recognition				
At a point in time	10,598,263	—	1,654,352	12,252,615
Over time	—	<u>31,274,550</u>	<u>253,850</u>	<u>31,528,400</u>
	<u>10,598,263</u>	<u>31,274,550</u>	<u>1,908,202</u>	<u>43,781,015</u>
Results				
Segment results	<u>4,207,210</u>	<u>18,924,298</u>	<u>619,713</u>	23,751,221
Unallocated income				3,629,430
Unallocated expenses				<u>(16,588,647)</u>
Profit before taxation				<u>10,792,004</u>

The unallocated expenses including administration staff costs, selling and distributions expenses, finance cost and other expenses as it cannot be allocated to each segment.

No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

7. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2016:

	General sales from trading of machinery, tools and parts <i>HK\$</i>	Plant hire income <i>HK\$</i>	Transportation and other services income <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
Amounts included in the measure of segment results:					
Depreciation on plant and equipment	—	5,628,656	—	398,465	6,027,121
Depreciation on right of use assets	—	—	—	786,661	786,661
Gain on disposal of plant and equipment	—	—	—	1,400,667	1,400,667
Impairment on intangible assets	—	—	—	301,887	301,887
Impairment on trade receivables	3,503	5,360	5,925	—	14,788
	<u>3,503</u>	<u>5,360</u>	<u>5,925</u>	<u>—</u>	<u>14,788</u>

For the year ended 31 December 2017:

	General sales from trading of machinery, tools and parts <i>HK\$</i>	Plant hire income <i>HK\$</i>	Transportation and other services income <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
Amounts included in the measure of segment results:					
Depreciation on plant and equipment	—	6,157,950	—	353,476	6,511,426
Depreciation on right of use assets	—	—	—	1,311,979	1,311,979
Gain on disposal of plant and equipment	—	—	—	1,328,749	1,328,749
	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,328,749</u>	<u>1,328,749</u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

7. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2018:

	General sales from trading of machinery, tools and parts <i>HK\$</i>	Plant hire income <i>HK\$</i>	Transportation and other services income <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
Amounts included in the measure of segment results:					
Depreciation on plant and equipment	—	6,059,699	—	340,643	6,400,342
Depreciation on right of use assets	—	—	—	1,347,308	1,347,308
Gain on disposal of plant and equipment	—	—	—	3,622,789	3,622,789
	<u>—</u>	<u>6,059,699</u>	<u>—</u>	<u>3,622,789</u>	<u>6,400,342</u>

As at 31 December 2016, 2017 and 2018, there is no transaction price allocated contract with customers, therefore in accordance with HKFRS15.120, there is no unsatisfied or partially satisfied remaining performance obligations.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

7. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in both Hong Kong and Macau.

The Group's revenue from continuing operations from customers by location of operation and information about its non-current assets by location of assets are detailed below:

	Revenue		
	Year ended 31 December		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	29,445,326	17,914,073	22,521,699
Macau	5,125,436	18,708,344	20,707,322
Philippines	—	1,741,412	551,994
	<u>34,570,762</u>	<u>38,363,829</u>	<u>43,781,015</u>
	Non-current assets		
	As at 31 December		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	86,712,304	84,717,726	107,645,671
Macau	—	—	—
	<u>86,712,304</u>	<u>84,717,726</u>	<u>107,645,671</u>

Information about major customers

Revenue from customers during the Track Record Period contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Customer A	5,362,387	6,783,648	1,127,855*
Customer B	9,200,309	2,468,160*	200,300*
Customer C	—	4,650,000	1,848,048*
Customer D	800,000*	3,043,781*	5,688,469
Customer E	1,621,690*	6,607,596	10,874,951
Customer F	10,300,000	430,800*	—
	<u>10,300,000</u>	<u>430,800*</u>	<u>—</u>

* Revenue did not contribute over 10% of the total revenue of the Group for the Track Record Period but was shown for comparison purpose.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

8. OTHER INCOME

	Year ended 31 December		
	2016	2017	2018
	HK\$	HK\$	HK\$
Interest income	58	7,591	6,110
Gain on disposal of plant and equipment	1,400,667	1,328,749	3,622,789
Net exchange gain	28,859	36,172	531
Others	156,440	18,700	—
	<u>1,586,024</u>	<u>1,391,212</u>	<u>3,629,430</u>

9. FINANCE COSTS

	Year ended 31 December		
	2016	2017	2018
	HK\$	HK\$	HK\$
Interest on bank borrowings wholly repayable within five years	224,567	421,989	504,663
Interest on bank overdrafts wholly repayable within five years	160,654	540,743	349,503
Interest on other borrowings wholly repayable within five years	123,647	—	—
Interest on finance leases	1,658,079	1,865,601	1,826,546
Interest on lease liabilities	68,451	90,168	86,669
Effective interest expense on Convertible Bonds	1,074,410	1,262,804	1,008,789
	<u>3,309,808</u>	<u>4,181,305</u>	<u>3,776,170</u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

10. INCOME TAX (CREDIT) EXPENSE

	Year ended 31 December		
	2016	2017	2018
	HK\$	HK\$	HK\$
Current tax			
Hong Kong Profits Tax	—	—	—
Deferred taxation (Note 25)	(517,561)	2,076,150	2,765,884
	<u>(517,561)</u>	<u>2,076,150</u>	<u>2,765,884</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period.

The income tax expense for the year can be reconciled from the (loss) profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2016	2017	2018
	HK\$	HK\$	HK\$
(Loss) profit before taxation	<u>(4,750,332)</u>	<u>1,396,910</u>	<u>10,792,004</u>
Tax at applicable tax rate of 16.5%	(783,805)	230,490	1,780,680
Tax effect of income not taxable for tax purpose	(4,762)	(5,968)	(3,815)
Tax effect of expenses not deductible for tax purpose	272,879	1,134,947	990,892
Tax effect of temporary difference not recognised	(1,873)	(1,873)	(1,873)
Underprovision in prior year	—	718,554	—
Income tax expense (credit) for the year	<u>(517,561)</u>	<u>2,076,150</u>	<u>2,765,884</u>

There is no Macau Tax implication during the Track Record Period. Macau segment result is included in Hong Kong tax implication during the Track Record Period.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

11. (LOSS) PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December		
	2016	2017	2018
	HK\$	HK\$	HK\$
(Loss) profit for the year has been arrived at after charging (crediting):			
Directors' emoluments and allowance (Note 12)	1,825,543	1,650,000	1,570,210
Other staff costs:			
— Salaries, allowances and other benefits	3,788,394	3,739,461	4,085,887
— Bonus	—	—	—
— Retirement benefits scheme contributions	158,510	155,150	158,357
	3,946,904	3,894,611	4,244,244
Total staff costs	5,772,447	5,544,611	5,814,454
Auditor's remuneration	60,000	60,000	63,000
Cost of general sales	10,492,140	5,912,163	6,391,053
Depreciation of plant and equipment			
— owned assets	3,050,542	2,063,142	1,012,253
— assets held under finance leases	2,976,579	4,448,284	5,388,089
Depreciation on right of use assets	786,661	1,311,979	1,347,308
Impairment on trade receivables	14,788	—	—
Impairment on intangible assets	301,887	—	—
Gain on disposal of plant and equipment	(1,400,667)	(1,328,749)	(3,622,789)
Short term operating lease rentals in respect of rented premises	1,585,300	693,100	174,000

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors/employees of subsidiaries, who were appointed as the director of the Company, during the Track Record Period are as follows:

	Year ended 31 December		
	2016 HK\$	2017 HK\$	2018 HK\$
Directors' fees	—	—	—
Other emoluments:			
Basic salaries, allowances	1,798,543	1,632,000	1,564,867
Discretionary bonus	—	—	—
Retirement benefits scheme contributions	27,000	18,000	5,343
	<u>1,825,543</u>	<u>1,650,000</u>	<u>1,570,210</u>
Benefit in kind (Note i)	154,000	369,600	369,600
	<u>1,979,543</u>	<u>2,019,600</u>	<u>1,939,810</u>

Notes:

- (i) It represented the payment for settlement of lease liabilities of directors' quarter.
- (ii) No directors waived any emoluments for the Track Record Period.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

For the year ended 31 December 2016:

	Fee HK\$	Basic salaries and allowance HK\$	Discretionary bonus HK\$	Retirement benefit scheme contributions HK\$	Allowance and Benefits in kind HK\$	Total HK\$
Executive directors						
Sou Peng Kan, Albert (Note i)	—	1,307,500	—	9,000	154,000	1,470,500
So Pui Yin (Note ii)	—	491,043	—	18,000	—	509,043
Fok Hei Yuen, Paul (Note ii)	—	—	—	—	—	—
Total	—	1,798,543	—	27,000	154,000	1,979,543
Non-executive director						
Leung Man Chiu, Lawrence (Note iii)	—	—	—	—	—	—

For the year ended 31 December 2017:

	Fee HK\$	Basic salaries and allowance HK\$	Discretionary bonus HK\$	Retirement benefit scheme contributions HK\$	Allowance and Benefits in kind HK\$	Total HK\$
Executive directors						
Sou Peng Kan, Albert (Note i)	—	1,080,000	—	—	369,600	1,449,600
So Pui Yin (Note ii)	—	552,000	—	18,000	—	570,000
Fok Hei Yuen, Paul (Note ii)	—	—	—	—	—	—
Total	—	1,632,000	—	18,000	369,600	2,019,600
Non-executive director						
Leung Man Chiu, Lawrence (Note iii)	—	—	—	—	—	—

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

For the year ended 31 December 2018:

	Fee	Basic salaries and allowance	Discretionary bonus	Retirement benefit scheme contributions	Allowance and Benefits in kind	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Executive directors						
Sou Peng Kan, Albert (Note i)	—	1,410,000	—	—	369,600	1,779,600
So Pui Yin (Note ii)	—	154,867	—	5,343	—	160,210
Fok Hei Yuen, Paul (Note ii)	—	—	—	—	—	—
Total	—	1,564,867	—	5,343	369,600	1,939,810
Non-executive director						
Leung Man Chiu, Lawrence (Note iii)	—	—	—	—	—	—

Notes:

- (i) The emoluments of Sou Peng Kan, Albert disclosed above include those services rendered by him to the companies now comprising the Group during the Track Record Period. Sou Peng Kan, Albert was appointed as executive director of the Company on 26 February 2016.
- (ii) The emoluments of So Pui Yin and Fok Hei Yuen, Paul disclosed above include those services rendered by her/him to the companies now comprising the Group during the Track Record Period. So Pui Yin and Fok Hei Yuen, Paul were appointed as executive director of the Company on 26 April 2017. So Pui Yin was resigned from executive director of the Company on 6 April 2018.
- (iii) Leung Man Chiu, Lawrence was appointed as non-executive director of the Company on 26 April 2017.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS** *(Continued)*

The five highest paid individuals with the highest emoluments in the Group include two, two and one directors for the years ended 31 December 2016, 2017 and 2018, respectively. Details of their emoluments are set out above. The remunerations for the remaining three, three and four individuals for the years ended 31 December 2016, 2017 and 2018, respectively are as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Basic salaries, allowances and other benefits	1,241,200	1,269,200	1,822,800
Discretionary bonus	—	—	—
Retirement benefits scheme contributions	53,790	54,000	72,000
	<u>1,294,990</u>	<u>1,323,200</u>	<u>1,894,800</u>

The emoluments of these employees were individually less than HK\$1,000,000 for each of the years ended 31 December 2016, 2017 and 2018.

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

13. DIVIDEND

No dividend has been paid or declared by the Company since the date of incorporation.

During the year ended 31 December 2016, dividend of HK\$450,000 was declared and paid/payable by World Super to its then shareholders.

The rates of dividends and the number of shares ranking for dividends are not presented as the inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Track Record Period on a combined basis as disclosed in Note 2 above.

14. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the presentation of the combined statements of profit or loss and other comprehensive income for the Track Record Period on a combined basis as disclosed in Note 2 above.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

15. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment	Motor vehicles		Plant and machinery			Total HK\$
		Owned HK\$	Owned HK\$	Leased HK\$	Owned HK\$	Leased HK\$	
COST							
At 1 January 2016	1,029,432	502,070	1,268,438	42,774,674	31,383,591	16,501,729	93,459,934
Addition	48,105	—	319,098	8,400,000	17,772,625	—	26,539,828
Disposal	(15,300)	—	—	(3,950,000)	—	—	(3,965,300)
Transfer	—	—	—	(8,400,000)	24,901,729	(16,501,729)	—
At 31 December 2016 and 1 January 2017	1,062,237	502,070	1,587,536	38,824,674	74,057,945	—	116,034,462
Addition	8,016	—	—	—	4,877,228	—	4,885,244
Disposal	(47,384)	—	—	(7,100,000)	—	—	(7,147,384)
Transfer	—	724,000	(724,000)	(12,791,562)	12,791,562	—	—
At 31 December 2017 and 1 January 2018	1,022,869	1,226,070	863,536	18,933,112	91,726,735	—	113,772,322
Addition	57,960	—	826,080	417,000	31,328,000	—	32,629,040
Disposal	(6,599)	(996,270)	—	(8,230,000)	(2,560,000)	—	(11,792,869)
Transfer	—	—	—	5,660,690	(5,660,690)	—	—
At 31 December 2018	1,074,230	229,800	1,689,616	16,780,802	114,834,045	—	134,608,493

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

15. PLANT AND EQUIPMENT (Continued)

	Furniture, fixtures and equipment		Motor vehicles		Plant and machinery		Total HK\$
	Owned	Owned	Leased	Owned	Leased	Jointly owned	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
ACCUMULATED DEPRECIATION, AND IMPAIRMENT							
At 1 January 2016	569,179	447,616	507,376	24,564,170	1,385,236	1,567,892	29,041,469
Charge for the year	96,312	54,454	306,871	2,899,776	2,440,675	229,033	6,027,121
Eliminated on disposal	(15,300)	—	—	(3,521,667)	—	—	(3,536,967)
Transfer	—	—	—	(220,887)	2,017,812	(1,796,925)	—
At 31 December 2016 and 1 January 2017	650,191	502,070	814,247	23,721,392	5,843,723	—	31,531,623
Charge for the year	95,150	12,067	305,439	1,955,925	4,142,845	—	6,511,426
Eliminated on disposal	(42,133)	—	—	(6,904,000)	—	—	(6,946,133)
Transfer	—	567,133	(567,133)	(5,990,404)	5,990,404	—	—
At 31 December 2017 and 1 January 2018	703,208	1,081,270	552,553	12,782,913	15,976,972	—	31,096,916
Charge for the year	81,621	24,132	285,420	906,500	5,102,669	—	6,400,342
Eliminated on disposal	(2,971)	(875,602)	—	(8,071,142)	(184,243)	—	(9,133,958)
Transfer	—	—	—	905,711	(905,711)	—	—
At 31 December 2018	781,858	229,800	837,973	6,523,982	19,989,687	—	28,363,300
CARRYING AMOUNTS							
At 31 December 2018	292,372	—	851,643	10,256,820	94,844,358	—	106,245,193
At 31 December 2017	319,661	144,800	310,983	6,150,199	75,749,763	—	82,675,406
At 31 December 2016	412,046	—	773,289	15,103,282	68,214,222	—	84,502,839

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***15. PLANT AND EQUIPMENT** *(Continued)*

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

Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	Over the relevant useful live, or 25 years whichever is the shorter

Analysis of carrying amounts of plant and equipment held under finance leases is:

	As at 31 December		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Motor vehicles	773,289	310,983	851,643
Plant and machinery	68,214,222	75,749,763	94,844,358
	<u>68,987,511</u>	<u>76,060,746</u>	<u>95,696,001</u>

For the years ended 31 December 2016, 2017 and 2018, the Group acquired plant and equipment with an aggregate cost of approximately HK\$26.5 million, HK\$4.9 million and HK\$32.6 million of which approximately HK\$11.6 million, HK\$3.8 million and HK\$28.5 million was acquired by means of financial lease. Cash payment of approximately HK\$14.9 million, approximately HK\$1.1 million and approximately HK\$4.1 million were made to purchase plant and equipment.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

16. RIGHT OF USE ASSETS

	Land and Building HK\$
COST	
At 1 January 2016	—
Addition	2,996,126
	<hr/>
At 31 December 2016 and 1 January 2017	2,996,126
Addition	1,144,834
Written off	(1,024,558)
	<hr/>
At 31 December 2017 and 1 January 2018	3,116,402
Addition	705,466
Written off	(702,496)
	<hr/>
At 31 December 2018	3,119,372
	<hr/>
ACCUMULATED DEPRECIATION	
At 1 January 2016	—
Charge for the year	786,661
	<hr/>
At 31 December 2016 and 1 January 2017	786,661
Charge for the year	1,311,979
Written off	(1,024,558)
	<hr/>
At 31 December 2017 and 1 January 2018	1,074,082
Charge for the year	1,347,308
Written off	(702,496)
	<hr/>
At 31 December 2018	1,718,894
	<hr/>
CARRYING AMOUNTS	
At 31 December 2018	1,400,478
	<hr/> <hr/>
At 31 December 2017	2,042,320
	<hr/> <hr/>
At 31 December 2016	2,209,465
	<hr/> <hr/>

For all leases with a term of more than 12 months, unless the underlying asset is of low value, the Group as a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The above item of right of use assets is depreciated on a straight-line over the relevant lease terms.

For all short term leases (with a lease term of not more than 12 months) or leases for which the underlying asset is of low value, the Group as a lessee recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term, for detail please refer to note 30 and note 11.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

17. INVENTORIES

	As at 31 December		
	2016 HK\$	2017 HK\$	2018 HK\$
Spare parts, at cost	1,690,865	987,905	1,404,505

18. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables at the end of Track Record Period:

	As at 31 December		
	2016 HK\$	2017 HK\$	2018 HK\$
Trade receivables	13,809,195	8,296,254	10,304,809
Deposits paid	310,327	296,236	906,981
Prepayments	1,708,379	2,300,098	2,311,608
Other receivables	—	30,800	3,114
	<u>15,827,901</u>	<u>10,923,388</u>	<u>13,526,512</u>

The Group allows a credit period of 0-60 days to its customers. Before accepting any new customer, the Group makes enquiries to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually. Trade receivables that are neither past due nor impaired are due from creditworthy customers.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

18. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of trade receivable presented based on the invoice date at the end of each reporting period:

	As at 31 December		
	2016 HK\$	2017 HK\$	2018 HK\$
Within 30 days	6,089,964	1,453,054	1,989,189
31 to 60 days	5,878,055	3,179,228	3,732,078
61 to 90 days	640,000	1,479,472	3,220,400
91 to 120 days	580,000	960,960	722,531
121 to 365 days	563,769	1,223,540	640,611
Over 1 year	57,407	—	—
	<u>13,809,195</u>	<u>8,296,254</u>	<u>10,304,809</u>

The management of the Group has individually assessed all receivables by taking into account the length of business relationship, reputation and repayment history of each of customers. Impairment loss of HK\$14,788, HK\$Nil and HK\$Nil were recognised during the years ended 31 December 2016, 2017 and 2018.

As at 31 December 2016, 2017 and 2018, included in the Group's trade receivable balances were debtors with aggregate carrying amount of HK\$7,752,231, HK\$6,673,200 and HK\$8,319,299, respectively, which were past due at the end of each reporting period for which the Group has not provided for impairment loss. The Group did not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	As at 31 December		
	2016 HK\$	2017 HK\$	2018 HK\$
Overdue:			
Within 30 days	5,448,000	3,179,228	2,760,757
31 to 60 days	1,103,055	1,309,472	3,545,015
61 to 90 days	580,000	960,960	1,372,916
91 to 120 days	250,000	102,000	375,000
121 to 365 days	371,176	1,121,540	265,611
Over 1 year	—	—	—
	<u>7,752,231</u>	<u>6,673,200</u>	<u>8,319,299</u>

The management of the Group considers that there has not been a significant change in credit quality of the trade receivables from the date credit with initially granted up to the reporting date. In view of the good settlement history from those receivables of the Group which are past due but not impaired for the years ended 31 December 2016, 2017 and 2018, the management of the Group considers that no provision for impairment is necessary in respect of these balances.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***19. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/BANK OVERDRAFTS**

Bank balances carry interest at market rates at 0.01% per annum as at 31 December 2016, 2017 and 2018.

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits as at 31 December 2016, 2017 and 2018 amounting to HK\$1,000,034, HK\$3,402,452 and HK\$2,902,912, respectively, have been pledged to secure banking facilities and are classified as current assets. The pledged bank deposits carry interest at as 31 December 2016, 2017 and 2018 at 0.01%, 0.01% and 0.2% to 0.25% per annum.

Bank overdrafts carry interest at 0.5% or 1.5% above prime rate of relevant banks at 5.75% to 6.5%, 5.75% to 6.5% per annum and 5.75% to 6.625% per annum as at 31 December 2016, 2017 and 2018 respectively.

The unutilised bank overdrafts and trade facilities as at 31 December 2016, 2017 and 2018 amounted to HK\$7,241,312, HK\$4,447,600 and HK\$6,010,276.

20. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the end of Track Record Period:

	As at 31 December		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade payables	4,934,748	1,603,278	1,625,592
Other payable	—	5,769	—
Accrued expenses	461,057	1,459,946	3,176,032
Deposits and temporary received	3,210,000	3,210,000	5,065,621
	<u>8,605,805</u>	<u>6,278,993</u>	<u>9,867,245</u>

Payment terms granted by suppliers are 0-30 days from the invoice date of the relevant purchases. The Group has liquidity risk management in place to ensure that all payables are settled within the credit timeframe.

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within 30 days	4,502,931	1,238,000	493,710
31 to 60 days	126,907	28,649	290,825
61 to 90 days	—	308,064	219,531
Over 90 days	304,910	28,565	621,526
	<u>4,934,748</u>	<u>1,603,278</u>	<u>1,625,592</u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

21. BORROWINGS

	As at 31 December		
	2016 HK\$	2017 HK\$	2018 HK\$
Secured bank borrowings	—	3,270,651	1,967,610
Unsecured bank borrowings	4,920,000	6,000,000	6,000,000
Bank borrowings	<u>4,920,000</u>	<u>9,270,651</u>	<u>7,967,610</u>
	As at 31 December		
	2016 HK\$	2017 HK\$	2018 HK\$
Borrowings that do not contain a repayable on demand clause:			
Within one year	—	1,303,353	1,373,304
More than one year, but not more than five years	—	1,967,298	594,306
Borrowings that contain a repayable on demand clause (shown under current liabilities):			
Within one year	4,920,000	6,000,000	6,000,000
More than one year, but not more than five years	—	—	—
	<u>4,920,000</u>	<u>9,270,651</u>	<u>7,967,610</u>
Less: Amounts due within one year shown under current liabilities	<u>(4,920,000)</u>	<u>(7,303,353)</u>	<u>(7,373,304)</u>
Amounts shown under non-current liabilities	<u>—</u>	<u>1,967,298</u>	<u>594,306</u>

The variable-rate and fixed-rate borrowings at 31 December 2016, 2017 and 2018 carry interest ranged from 6% per annum, 5% to 5.25% per annum, and 5.125% to 5.375% per annum respectively.

The unutilised bank borrowings facilities as at 31 December 2016, 2017 and 2018 amounted to HK\$80,000, HK\$NIL and HK\$NIL, respectively.

As at 31 December 2017 and 2018, the Group's borrowings are secured by the equipment with carrying amounts of HK\$6,441,369 and HK\$5,824,584 respectively.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

22. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 December		
	2016 HK\$	2017 HK\$	2018 HK\$
Analysed for reporting purposes as:			
Current liabilities	41,118,351	32,691,689	44,026,065
Non-current liabilities	<u>303,043</u>	<u>129,316</u>	<u>526,802</u>
	<u>41,421,394</u>	<u>32,821,005</u>	<u>44,552,867</u>

According to HK-Int 5 which requires the classification of the whole term loans containing a repayment on demand clause as current liabilities, the aggregate carrying amounts of HK\$29,401,286, HK\$19,772,154 and HK\$28,768,571 have been reclassified from non-current liabilities to current liabilities as at 31 December 2016, 2017 and 2018 respectively.

	Minimum lease payments As at 31 December			Present value of minimum lease payments As at 31 December		
	2016 HK\$	2017 HK\$	2018 HK\$	2016 HK\$	2017 HK\$	2018 HK\$
Within one year or contain a repayable on demand clause	44,971,746	35,071,173	47,668,797	41,118,351	32,691,689	44,026,065
In the second to fifth year inclusive	<u>318,364</u>	<u>134,140</u>	<u>551,818</u>	<u>303,043</u>	<u>129,316</u>	<u>526,802</u>
	45,290,110	35,205,313	48,220,615	41,421,394	32,821,005	44,552,867
Less: Future finance charges	<u>(3,868,716)</u>	<u>(2,384,308)</u>	<u>(3,667,748)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Present value of finance lease obligations	<u>41,421,394</u>	<u>32,821,005</u>	<u>44,552,867</u>	41,421,394	32,821,005	44,552,867
Less: carrying amounts that due for settlement within twelve months or contain repayable on demand clause (shown under current liabilities)				<u>(41,118,351)</u>	<u>(32,691,689)</u>	<u>(44,026,065)</u>
Amount due shown under non-current liabilities				<u>303,043</u>	<u>129,316</u>	<u>526,802</u>

The Group acquires certain of its plant and machinery, and motor vehicles under finance leases. The average lease term entered by the Group for the leases outstanding as at 31 December 2016, 2017 and 2018 ranged from 4 to 5 years, 4 to 5 years and 4 to 5 years respectively. Interest rates underlying all obligations under finance leases as at 31 December 2016, 2017 and 2018 ranged from 4.75% to 6.06% per annum, 4.75% to 6.00% per annum and 4.625% to 5.23% per annum, respectively.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)***NOTES TO HISTORICAL FINANCIAL INFORMATION** *(Continued)***22. OBLIGATIONS UNDER FINANCE LEASES** *(Continued)*

As at 31 December 2016 and 2017, the Group's borrowings, bank overdrafts and obligations under finance leases are secured and guaranteed by:

- the leased assets;
- personal guarantees given by the Group's directors and/or shareholders, Mr. Sou, Mr. Fok and Ms. Chu;
- pledged deposits of related parties including Centralink International Limited, Mr. Sou and Ms. Chu of not less than HK\$3.4 million and the Group of approximately HK\$1 million; and
- a guarantee offered by The Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme.

As at 31 December 2018, the Group's borrowings, bank overdrafts and obligations under finance leases are secured and guaranteed by:

- the leased assets;
- personal guarantees given by the Group's directors and/or shareholders, Mr. Sou and Mr. Fok; and
- pledged deposits of the Group of approximately HK\$2.9 million.

23. CONVERTIBLE BONDS

The Company issued 8% Convertible Bonds in the principal amount of HK\$12,000,000 on 30 May 2016. The Convertible Bonds are denominated in Hong Kong dollars. The bonds entitle the holders to convert them in full at five business days (the "Conversion Date") before the latest practicable date prior to the issue of the prospectus in relation to the listing of shares of the Company on the Stock Exchange. The number of conversion shares represents 25% of the entire issued share capital of the Company immediately before listing of shares and 18.75% of the entire issued share capital of the Company upon listing of shares. No interest shall be payable by the Company if the entire conversion rights attaching to the Convertible Bonds are exercised before the maturity date, which is on the first anniversary of the date of issue of convertible bonds. The Convertible Bonds shall bear interest at a coupon rate of eight per cent per annum on the outstanding principal amount of the Convertible Bonds calculated from the date of issue of the Convertible Bonds to and including the maturity date. The Company shall not be permitted to redeem the entire or part of the outstanding amount under the Convertible Bonds before the maturity date.

The Convertible Bonds contain two components, liability and equity elements. The equity element is presented in equity heading "convertible bonds equity reserve". The effective interest rate of the liability component is 16.38% per annum.

By the Supplemental Instrument and agreement dated 28 March 2017, 4 May 2018 and 24 May 2019, the maturity date of the Convertible Bonds was extended to 30 May 2018, 30 May 2019 and 31 August 2019 (new maturity date) and the conversion period will accordingly be extended.

On 18 December 2018, Trade Mass disposed of all its Convertible Bonds in the principal amount of HK\$6,000,000 to two purchasers namely, Integrated Asset Management and Mr. Yang, at the consideration of HK\$4,000,000 and HK\$2,000,000, respectively. Completion of the aforesaid transfers took place on the same date.

Save as amended for the maturity date and the use of proceeds by the Supplemental Instrument, all terms of the Convertible Bonds remain unchanged.

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

23. CONVERTIBLE BONDS (Continued)

The movement of the liability component of the Convertible Bonds for the year/period is set out below:

	As at 31 December		
	2016 HK\$	2017 HK\$	2018 HK\$
Carrying amount at the beginning of the year	—	12,210,410	13,473,214
At the date of issuance	11,136,000	—	—
Interest charge	1,074,410	1,262,804	1,008,789
Interest paid	—	—	—
	<u>12,210,410</u>	<u>13,473,214</u>	<u>14,482,003</u>
Carrying amount at the end of the year	<u>12,210,410</u>	<u>13,473,214</u>	<u>14,482,003</u>
Analysed for reporting purpose as			
Current liabilities	—	—	14,482,003
Non-current liabilities	<u>12,210,410</u>	<u>13,473,214</u>	<u>—</u>
	<u>12,210,410</u>	<u>13,473,214</u>	<u>14,482,003</u>

24. LEASE LIABILITIES

	As at 31 December		
	2016 HK\$	2017 HK\$	2018 HK\$
Analysed for reporting purposes as:			
Current liabilities	1,247,341	1,228,128	1,225,497
Non-current liabilities	<u>975,084</u>	<u>874,178</u>	<u>212,384</u>
	<u>2,222,425</u>	<u>2,102,306</u>	<u>1,437,881</u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

24. LEASE LIABILITIES (Continued)

The average lease terms ranged from 2 to 3 years. During the year ended 31 December 2018, the obligations under obligating leases carried effective interest rates ranged from 4.53% to 4.94% per annum.

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December			As at 31 December		
	2016	2017	2018	2016	2017	2018
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Amounts payable under obligating leases						
Within one year	1,327,983	1,302,560	1,263,690	1,247,341	1,228,128	1,225,497
More than one year but less than five years	1,013,600	894,090	215,600	975,084	874,178	212,384
	<u>2,341,583</u>	<u>2,196,650</u>	<u>1,479,290</u>	<u>2,222,425</u>	<u>2,102,306</u>	<u>1,437,881</u>
Less: future finance charges	<u>(119,158)</u>	<u>(94,344)</u>	<u>(19,912)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Present value of obligation under obligating leases	<u>2,222,425</u>	<u>2,102,306</u>	<u>1,459,378</u>	<u>2,222,425</u>	<u>2,102,306</u>	<u>1,437,881</u>
Less: carrying amounts that due for settlement within twelve months				<u>(1,247,341)</u>	<u>(1,228,128)</u>	<u>(1,225,497)</u>
Amount due for settlement after twelve months				<u>975,084</u>	<u>874,178</u>	<u>212,384</u>

25. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the Track Record Period:

	Accelerated tax depreciation	Tax losses	Total
	HK\$	HK\$	HK\$
At 1 January 2016	7,078,568	(4,390,041)	2,688,527
Charge (credit) to profit or loss (Note 10)	<u>2,548,539</u>	<u>(3,066,100)</u>	<u>(517,561)</u>
At 31 December 2016	9,627,107	(7,456,141)	2,170,966
Charge to profit or loss (Note 10)	<u>1,856,873</u>	<u>219,277</u>	<u>2,076,150</u>
At 31 December 2017	11,483,980	(7,236,864)	4,247,116
Charge to profit or loss (Note 10)	<u>2,067,629</u>	<u>698,255</u>	<u>2,765,884</u>
At 31 December 2018	<u>13,551,609</u>	<u>(6,538,609)</u>	<u>7,013,000</u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)**NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)****26. ISSUED CAPITAL**

The Company was incorporated in the Cayman Islands as an exempted company on 26 February 2016. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon incorporation, one nil-paid subscriber share was allotted and issued to the subscriber, which was transferred to Mr. Sou on 26 February 2016. On 31 May 2016, the Company allotted and issued 99 shares in aggregate to Mr. Sou, Ms. Chu and Mr. Fok which were credited as fully paid as consideration for the transfer of their shareholding interest in World Super to the Company.

On 30 November 2018, the Company allotted and issued 8 shares to Mr. Sou at a consideration of HK\$3,000,000.

Issued capital of the Group as at 31 December 2016, 2017 and 2018 represents the paid up capital of the Company.

27. RETIREMENT BENEFITS PLANS

The Group operates MPF Scheme for all qualifying employees in Hong Kong. The assets of the above scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK\$1,500 per month or 5% of relevant payroll costs to the MPF Scheme.

During the years ended 31 December 2016, 2017 and 2018, the total expense recognised in the combined statement of profit or loss and other comprehensive income is HK\$185,510, HK\$173,150 and HK\$163,700, respectively, which represent contributions payable to the scheme by the Group at rates specified in the rules of the schemes.

28A. PARTICULARS OF SUBSIDIARIES/ INVESTMENT IN SUBSIDIARIES

	2016 HK\$	2017 HK\$	2018 HK\$
Unlisted shares, at cost	78	78	78

At 31 December 2016, 2017 and 2018, the Company has direct and indirect equity interests in the following subsidiaries:

Name	Place/ Country of incorporation	Nominal value of issued capital	Equity Interest attributable to the Group	Principal activities
Directly held New Pilot Global Limited	BVI	US\$10	100%	Investment holding
Indirectly held World Super Limited	HK	HK\$5,500,000	100%	Hire and trading of machinery and transportation and provision of service

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

28B. COMPANY'S STATEMENTS OF CHANGES IN EQUITY

The followings are the movements of the Company's equity for the Track Record Period:

	Share capital HK\$	Share premium HK\$	Convertible bonds equity reserve HK\$	Accumulated losses HK\$	Total HK\$
At 26 February 2016 (date of incorporation)	1	—	—	—	1
Loss for the period	—	—	—	(1,272,688)	(1,272,688)
Arising from reorganisation	—	5,499,999	—	—	5,499,999
Recognition of equity component of convertible bonds	—	—	864,000	—	864,000
At 31 December 2016 and 1 January 2017	1	5,499,999	864,000	(1,272,688)	5,091,312
Loss for the year	—	—	—	(1,466,263)	(1,466,263)
At 31 December 2017 and 1 January 2018	1	5,499,999	864,000	(2,738,951)	3,625,049
Issue of new shares	—	3,000,000	—	—	3,000,000
Loss for the year	—	—	—	(5,742,834)	(5,742,834)
At 31 December 2018	<u>1</u>	<u>8,499,999</u>	<u>864,000</u>	<u>(8,481,785)</u>	<u>882,215</u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)**NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)****29. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes borrowings, bank overdrafts and obligations under finance leases, as disclosed in Note 21, 19 and 22, respectively, net of bank balances and cash, and equity.

The management of the Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and the issue of new shares, new debts or the redemption of existing debts.

30. OPERATING LEASE COMMITMENTS**The Group as lessee**

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

	As at 31 December		
	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within one year	—	65,000	92,137
In the second to fifth years inclusive	—	—	—
	<u>—</u>	<u>65,000</u>	<u>92,137</u>
	<u>—</u>	<u>65,000</u>	<u>92,137</u>

Operating lease payments represent rentals payable by the Group for certain of its machines.

Following the Group's adoption of HKFRS 16 (Note 3), the resulting impact on the combined statement of profit or loss and other comprehensive income and combined statements of cash flows is as follows:

	2016	2017	2018
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Depreciation charge on right-of use assets (note 11)	786,661	1,311,979	1,347,308
Interest on lease liabilities (note 9)	68,451	90,168	86,669
Expense relating to short term leases (note 11)	1,585,300	693,100	174,000
Additions to right of right-of use assets (note 16)	2,996,126	1,144,834	705,466
Cash outflows in respect of leases (note 3)	773,701	1,264,953	1,369,891
Carrying amount of right-of use assets (note 16)	<u>2,209,465</u>	<u>2,042,320</u>	<u>1,400,478</u>

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank overdraft interest payable HK\$	Borrowings HK\$	Obligation under financial leases HK\$	Lease liabilities HK\$	Convertible Bonds HK\$	Total HK\$
At 1 January 2017	—	4,920,000	41,421,394	2,222,425	12,210,410	60,774,229
Interest paid	(540,743)	(421,989)	(1,865,601)	(90,168)	—	(2,918,501)
New borrowings raised	—	11,000,000	—	—	—	11,000,000
Repayment of borrowings	—	(6,649,349)	—	—	—	(6,649,349)
Repayment of obligations under finance leases	—	—	(12,412,566)	—	—	(12,412,566)
Repayment of lease liabilities	—	—	—	(1,264,953)	—	(1,264,953)
	(540,743)	3,928,662	(14,278,167)	(1,355,121)	—	(12,245,369)
Interest expenses	540,743	421,989	1,865,601	90,168	1,262,804	4,181,305
Purchase of plant and equipment	—	—	3,812,177	—	—	3,812,177
Addition of lease liabilities	—	—	—	1,144,834	—	1,144,834
	540,743	421,989	5,677,778	1,235,002	1,262,804	9,138,316
At 31 December 2017	—	9,270,651	32,821,005	2,102,306	13,473,214	57,667,176
	Bank overdraft interest payable HK\$	Borrowings HK\$	Obligation under financial leases HK\$	Lease liabilities HK\$	Convertible Bonds HK\$	Total HK\$
At 1 January 2018	—	9,270,651	32,821,005	2,102,306	13,473,214	57,667,176
Interest paid	(349,503)	(504,663)	(1,826,546)	(86,669)	—	(2,767,381)
New borrowings raised	—	3,000,000	—	—	—	3,000,000
Repayment of borrowings	—	(4,303,041)	—	—	—	(4,303,041)
Repayment of obligations under finance leases	—	—	(16,728,697)	—	—	(16,728,697)
Repayment of lease liabilities	—	—	—	(1,369,891)	—	(1,369,891)
	(349,503)	(1,807,704)	(18,555,243)	(1,456,560)	—	(22,169,010)
Interest expenses	349,503	504,663	1,826,546	86,669	1,008,789	3,776,170
Purchase of plant and equipment	—	—	28,460,559	—	—	28,460,559
Addition of lease liabilities	—	—	—	705,466	—	705,466
	349,503	504,663	30,287,105	792,135	1,008,789	32,942,195
At 31 December 2018	—	7,967,610	44,552,867	1,437,881	14,482,003	68,440,361

A. HISTORICAL FINANCIAL INFORMATION (Continued)

NOTES TO HISTORICAL FINANCIAL INFORMATION (Continued)

32. RELATED PARTY DISCLOSURES

- (a) Apart from those transactions and balances as disclosed elsewhere in these Historical Financial Information. During the Track Record Period, the Group entered into the following transactions with related parties in which some directors have beneficial interests:

	Year ended 31 December		
	2016 HK\$	2017 HK\$	2018 HK\$
Proceeds received from:			
So Pui Yin (Note)	—	—	3,700
	<u> </u>	<u> </u>	<u> </u>

The proceeds were received for the disposal of plant and equipment. The management of the Group considers that the above transactions are conducted in the ordinary and usual course of the Company's businesses.

Note: Director of the Company resigned in April 2018.

- (b) During the Track Record Period, certain banking facilities were secured by personal guarantee from related parties of the Group.

Balance with related parties is disclosed in the combined statements of financial position and related notes.

The Company's key management personnel are the directors and their remunerations are included in the commission paid above and disclosed in Note 12.

33. CAPITAL COMMITMENTS

	As at 31 December		
	2016	2017	2018 HK\$
Capital expenditure in respect of the acquisition of plant and equipment:			
Contracted but not provided for	—	—	8,749,479
Authorized but not contracted for	—	—	—
	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u>8,749,479</u>

B. EVENTS AFTER THE REPORTING PERIOD

By the Supplemental Instrument and agreement dated 24 May 2019 the maturity date of the Convertible Bonds was extended to 31 August 2019 and the conversion period will accordingly be extended.

On 24 June 2019, the board of Company pass the resolution for conversion of the Convertible Bonds.

The Company adopted a share option scheme on 21 June 2019, a summary of the terms and conditions of which are set out in the paragraph headed “Share Option Scheme” in Appendix IV “Statutory and General Information” to the Prospectus.

On 21 June 2019 the authorized share capital of the Company was increased from HK\$380,000 to HK\$80,000,000 by the creation of an additional 7,962,000,000 shares of HK\$0.01 each.

No other significant events took place subsequent to 31 December 2018.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for any of the companies comprising the Group subsequent to 31 December 2018.