

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lai King Wah
Mr. Lai Ho Yin Eldon
Mr. Ho Timothy Kin Wah

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. Lai King Wah
Mr. Chau Chun Wai
Mr. Lo Sun Tong

REMUNERATION COMMITTEE

Mr. Chau Chun Wai
Mr. Lo Sun Tong
Mr. Lai King Wah

COMPLIANCE OFFICER

Mr. Ho Timothy Kin Wah

COMPANY SECRETARY

Mr. Tsang Hing Bun

AUTHORISED REPRESENTATIVES

Mr. Lai Ho Yin Eldon
Mr. Tsang Hing Bun

COMPLIANCE ADVISER

Kingsway Capital Limited

AUDITOR

Ernst & Young
Certified Public Accountants

LEGAL ADVISOR

David Fong & Co.

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Shanghai Commercial Bank Limited

COMPANY'S WEBSITE

www.wtgi.hk

STOCK CODE

8362

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in processing and sales of raw, frozen and cooked food products and provision of transportation services in Hong Kong.

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

The Group will continue to adopt a pragmatic and positive approach to develop the business to enhance the profitability of the Group and interests of the shareholders of the Company.

USE OF PROCEEDS

From the listing date to 30 June 2019, the net proceeds raised from listing as disclosed in the prospectus of the Company dated 19 June 2017 (the “Prospectus”) have been applied as follows:

	Planned use of proceeds as stated in the Prospectus (HK\$ million)	Actual use of proceeds Up to 30 June 2019 (HK\$ million)
Acquisition of new factory premises	22.0	22.0
Renovation of new premises as refrigeration facility	8.8	8.8
Strengthening Group’s logistics team	2.4	2.4
Setting up human resources department	0.9	0.3
Upgrade of internal management system	0.7	0.2
Working capital and other corporate development	5.1	5.1
	39.9	38.8
	39.9	38.8

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, the Group recorded approximately HK\$67.4 million revenue as compared with last year's corresponding period of approximately HK\$68.8 million, representing a decrease of approximately 2.0%. The decrease in sales of cooked food products and a change of customers' preference as a result of the outbreak of swine flu in China, leading to a change of product mix from pork to chicken where the selling price per kilogram of our chicken products are lower than pork products.

Cost of inventories and loss before tax

For the six months ended 30 June 2019, the Group's cost of inventories consumed and loss before tax from operations was approximately HK\$45.2 million and HK\$1.9 million respectively, where the cost of inventories consumed in last year's corresponding period was approximately HK\$44.2 million and the group recorded a profit before tax of approximately HK\$4.1 million. The increase in cost of inventories consumed was due to a change of customers' preference as a result of the outbreak of swine flu in China, leading to a change of product mix from pork to chicken, lowering the gross profit margin.

The Gross profit and gross profit margin

Based on the above, the gross profit and gross profit margin for the six months ended 30 June 2019 was HK\$22.2 million and 32.9% respectively (2018: HK\$24.6 million and 35.8% respectively).

Employee benefit expenses

For the six months ended 30 June 2019, the Group's employee benefit expenses increased to approximately HK\$12.0 million from last year's corresponding period's approximately HK\$10.5 million which was mainly attributable to increase in staff costs.

Income tax expense

For the six months ended 30 June 2019, the Group's income tax expense was approximately HK\$0.1 million which was lower than last year's corresponding period's approximately HK\$1 million. The decrease in tax expense was due to lower revenue but higher operating expenses incurred during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the period

Based on the above reasons, for the six months ended 30 June 2019, the Group recorded a net loss for the period of approximately HK\$2.3 million versus a net profit of approximately HK\$2.9 million of last year's corresponding period.

The board of Directors does not recommend a payment of an interim dividend for the six months ended 30 June 2019.

Liquidity and financial resources

As at 30 June 2019, the Group had net current assets of approximately HK\$38.6 million (31 December 2018: HK\$37.8 million), of which cash at bank consisted of approximately HK\$23.3 million (31 December 2018: HK\$21.7 million). The Group had bank borrowings amounted to approximately HK\$26.2 million (31 December 2018: HK\$27.4 million).

Gearing ratio

As at 30 June 2019, the Group's gearing ratio was approximately 18.6% (31 December 2018: 19.1%), which is calculated based on the Group's total interest-bearing debt of approximately HK\$26.2 million (31 December 2018: HK\$27.4 million) and the Group's total equity of approximately HK\$141.1 million (31 December 2018: HK\$143.1 million).

Capital structure

As at 30 June 2019, the Company had 1,400,000,000 issued shares at HK\$0.01 each. There has been no change in the Company's capital structure since its listing.

Treasury policy

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

Contingent liabilities

As at 30 June 2019, the Group did not have material contingent liabilities (31 December 2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Charge of assets

As at 30 June 2019, the Group's leasehold land and buildings held for own use with a net carrying amount of approximately HK\$59.8 million have been pledged to secure banking facilities granted to the Group.

Currency risk

As at 30 June 2019, the Group did not have material currency risk exposures as most of the Group's transactions carried out are denominated in Hong Kong Dollars and US Dollars which either Hong Kong Dollars are pegged with or has been maintaining a stable currency rate for a long time.

Capital commitments

As at 30 June 2019, the Group did not have any material capital commitments (31 December 2018: nil).

Material acquisitions and disposals of subsidiaries and affiliated companies

During the six months ended 30 June 2019, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Subsequently on 2 July 2019, Winning Tower Group Limited ("Winning Tower Group"), a indirect wholly owned subsidiary of the Company, has entered into property disposal agreements (the "Property Disposal Agreements") with lao Ip Property Investment Limited ("lao Ip"), pursuant to which lao Ip Property has conditionally agreed to acquire and Winning Tower Group has conditionally agreed to sell two properties, namely, Unit 803 and 808, 8/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong is HK\$27,645,000, while the consideration about the sale and purchase of Unit 808, 8/F, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong (the "Properties") at the aggregated consideration of HK\$45,516,400. Of which, the consideration of Unit 803 and 808 was HK\$27,645,000 and HK\$17,841,400 respectively. Pursuant to the Property Disposal Agreements, lao Ip Property and Winning Tower Group shall enter into the respective leasing agreements (the "Leasing Agreements") where lao Ip Property as landlord shall lease to Winning Tower Group as tenant the Properties for a term of three years commencing from the date which all the conditions precedent are fulfilled according to the Property Disposal Agreements. According to the Leasing Agreements, the rent for Unit 803 and 808 is HK\$87,300 and HK\$56,436 per month respectively, totaling HK\$143,736 per month, inclusive of property tax, management fee, government rent and rates but exclusive of water, gas and electricity charges.

MANAGEMENT DISCUSSION AND ANALYSIS

While the Group used to carry on its business operations principally based on its self-owned properties in Hong Kong, the Directors consider the Hong Kong property market is becoming unstable and have uncertainties, in particular in view of the recent announcement of a listed property developer about their board resolution to withhold the payment of the balance of the land premium in respect of their tender for land use right for the land parcel located at Kai Tak, Kowloon, Hong Kong resulting in the potential legal consequences of forfeiture of the deposit of HK\$25 million and payment of liquidated damages to the Hong Kong government. With the aforesaid concern, the Directors consider that the Group shall diversify and mitigate its risk on the potential fall in property prices of its self-owned properties by adopting a sale-and-lease back arrangement on the Properties. Comparing with simply disposing the relevant two self-owned properties, the Directors consider that the sale-and-lease back arrangement would not disrupt the existing operations of the Group.

Besides mitigating the risk on the potential fall in property prices of the Group's self-owned properties, the Directors consider that the Group has increasing capital needs in the Group's daily operation and business development.

The proceeds from the disposal of the Properties will be used to repay certain bank facilities.

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

As at the date of this report, both the disposal and sale-and-lease back transactions have yet completed.

Future plans for material investments and capital assets

Save as disclosed above and in the section "Future Plans and Use of Proceeds" of the Prospectus, as at 30 June 2019, the Group did not have other plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Employee and emolument policies

As at 30 June 2019, the Group had 52 full-time employees (30 June 2018: 56). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover.

Subsequent events

Save as disclosed above, there were no material events occurred after the six months ended 30 June 2019.

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

As at 30 June 2019, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") are as follows:

Shares of associated corporations of the Company

Name of associated corporation	Name of Director	Number of shares	Approximate Percentage
Keyview Ventures Limited	Lai King Wah	6,975	24.53%
Keyview Ventures Limited	Lai Ho Yin Eldon	307	1.08%
Keyview Ventures Limited	Ho Timothy Kin Wah	815	2.87%
Keyview Ventures Limited	Yu Ting Hei	5,407	19.02%

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 30 June 2019, other than the director and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

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

Note: Keyview Ventures is owned as to approximately 24.53% by Mr. KW Lai, as to approximately 24.53% by Top Ocean, as to approximately 23.22% by Ms. Ou, as to approximately 19.02% by Mr. Yu, as to approximately 4.75% by Ms. Li, as to approximately 2.87% by Mr. Timothy Ho and as to approximately 1.08% by Mr. Eldon Lai.

Save as disclosed above, as at 30 June 2019, no other persons had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME

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

No share option has been granted under the Share Option Scheme since its adoption.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the six months ended 30 June 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period from the Listing Date to 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING INTERESTS OR CONFLICT OF INTEREST

Keyview Ventures Limited, Kam Lee Investment Company Limited, Mr. KW Lai, Top Ocean Investment Limited, Ms. Ou, Mr. Yu, Ms. Li, Mr. Timothy Ho and Mr. Eldon Lai, individually and collectively as the controlling shareholder(s) (the "Controlling Shareholder(s)") (as defined under GEM Listing Rules) of the Company, has entered into the deed of non-competition dated 5 June 2017 (the "Deed of Non-competition") in favor of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, the Controlling Shareholders have irrevocably undertaken to the Company that they will not and will procure their respective close associate (except any member of the Group) not to, directly or indirectly, commence, engage in or invest any business which competes or may compete directly or indirectly with the core business of the Group, being a food supplier focusing on processed raw and cooked food products in Hong Kong.

As at 30 June 2019, none of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

The Controlling Shareholders have confirmed to the Company that from the effective date of the Deed of the Non-competition and up to 30 June 2019, they and their respective close associates (as defined under the GEM Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Kingsway Capital Limited as the compliance adviser of the Company. As at 30 June 2019, neither Kingsway Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates (as defined in the GEM Listing Rules) has or may have any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Kingsway Capital Limited dated 2 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

The Board recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve accountability. In the opinion of the Board, the Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules. To the best knowledge of the Directors, the Company had complied with the code provisions in the CG Code throughout the period under review.

AUDIT COMMITTEE

The Company has established an audit committee on 5 June 2017 with the written terms of reference in compliance with the CG Code and GEM Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Lo Sun Tong (chairperson), Mr. Chau Chun Wai and Mr. Lam Lai Kiu Kelvin. The principal duties of the audit Committee include the review and supervision of the Group’s financial reporting process, risk management and internal control systems, and review of the Group’s financial information. The audit committee has reviewed this report and are in the opinion that such report has complied with the applicable accounting standards and adequate disclosures have been made.

By order of the Board
Winning Tower Group Holdings Limited
Lai King Wah
Chairman and Executive Director

Hong Kong, 6 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2019

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of the Company presents the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2019, together with the unaudited comparative figures for the corresponding periods in 2018, are as follows:

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
REVENUE	5	32,979	33,560	67,365	68,830
Cost of inventories consumed		(22,400)	(21,563)	(45,210)	(44,184)
Other income		151	198	819	726
Employee benefit expenses		(6,976)	(5,238)	(12,042)	(10,461)
Depreciation		(2,198)	(1,660)	(4,396)	(3,313)
Transportation and storage fee		(1,041)	(890)	(2,125)	(1,660)
Utilities and consumables		(655)	(743)	(1,339)	(1,370)
Rental and related expenses		(447)	(364)	(871)	(732)
Other operating expenses		(1,994)	(1,916)	(4,091)	(3,707)
PROFIT/(LOSS) BEFORE TAX FROM OPERATIONS		(2,581)	1,384	(1,890)	4,129
Finance costs		(162)	(134)	(324)	(268)
PROFIT/(LOSS) BEFORE TAX	6	(2,743)	1,250	(2,214)	3,861
Income tax expense	7	296	(414)	(83)	(981)
PROFIT/(LOSS) FOR THE PERIOD		(2,447)	836	(2,297)	2,880
Attributable to:					
Owners of the Company		(2,322)	998	(2,215)	3,015
Non-controlling interests		(115)	(162)	(82)	(135)
		(2,447)	836	(2,297)	2,880
Earning/(loss) per share attributable to the owners of the Company — Basic and diluted (expressed in HK cents per share)	9	(0.17)	0.07	(0.16)	0.22

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2019

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(2,447)	836	(2,297)	2,880
OTHER COMPREHENSIVE INCOME				
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods:				
Revaluation surplus	(867)	780	–	1,561
Deferred tax credited/(debited) to asset revaluation reserve	429	(129)	286	(258)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	(438)	651	286	1,303
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	(2,885)	1,487	(2,011)	4,183
Attributable to:				
Owners of the Company	(2,770)	1,649	(1,929)	4,318
Non-controlling interests	(115)	(162)	(82)	(135)
	(2,885)	1,487	(2,011)	4,183

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		136,648	139,320
Goodwill		2,302	2,302
Due from a related party		130	130
Deferred tax assets		–	388
Total non-current assets		139,080	142,140
CURRENT ASSETS			
Inventories		5,126	4,953
Trade receivables		15,642	19,850
Prepayments, deposits and other receivables	10	4,504	3,170
Due from joint venture		2,857	–
Due from related parties	11	542	577
Tax recoverable		820	796
Cash and cash equivalents		23,315	21,668
Total current assets		52,806	51,014
CURRENT LIABILITIES			
Trade payables	12	5,077	6,105
Other payables and accruals		6,256	4,412
Due to related parties	11	70	121
Interest-bearing bank borrowings	13	2,364	2,337
Tax payable		435	287
Total current liabilities		14,202	13,262
NET CURRENT ASSETS		38,604	37,752
TOTAL ASSETS LESS CURRENT LIABILITIES		177,684	179,892
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		23,834	25,023
Financial lease payables		1,706	–
Deferred tax liabilities		11,023	11,737

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Total non-current liabilities		36,563	36,760
Net assets		141,121	143,132
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	14,000	14,000
Reserves		123,233	125,162
Non-controlling interests		137,233 3,888	139,162 3,970
Total equity		141,121	143,132

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2019

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Merger Reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Retained profits/ accumulated loss HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2019 (Audited)	14,000	103,491*	(36,733)*	5,100*	56,660*	(3,356)*	139,162	3,970	143,132
Loss for the period	-	-	-	-	-	(2,215)	(2,215)	(82)	(2,297)
Other comprehensive income for the period:									
Deferred tax credited to asset revaluation reserve	-	-	-	-	286	-	286	-	286
Total comprehensive income/(expense) for the period	-	-	-	-	286	(2,215)	(1,929)	(82)	(2,011)
At 30 June 2019 (Unaudited)	14,000	103,491*	(36,733)*	5,100*	56,946*	(5,571)*	137,233	3,888	141,121

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2018

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Retained profits/ (Accumulated loss) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2018 (Audited)	14,000	103,491*	(36,733)*	5,100*	44,050*	(6,911)*	122,997	3,956	126,953
Profit/(loss) for the year	-	-	-	-	-	3,015	3,015	(135)	2,880
Other comprehensive income/ (expense) for the period:									
Revaluation surplus	-	-	-	-	1,561	-	1,561	-	1,561
Deferred tax debited to asset revaluation reserve	-	-	-	-	(258)	-	(258)	-	(258)
Total comprehensive income/(expense) for the period	-	-	-	-	1,303	3,015	4,318	(135)	4,183
At 30 June 2018 (Unaudited)	14,000	103,491*	(36,733)*	5,100*	45,353*	(3,896)*	127,315	3,821	131,136

* These reserve accounts comprise the consolidated reserves of HK\$123,233,000 (31 December 2018: HK\$125,162,000) in the condensed consolidated statements of financial position as at 30 June 2019.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2019

	Notes	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flows from operating activities		1,373	5,438
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		87	36
Purchases of items of property, plant and equipment		(33)	(8,906)
Net cash flows from/(used in) investing activities		54	(8,870)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		(1,162)	(928)
Interest paid		(324)	(268)
Capital element of finance lease rental payments		1,706	–
Net cash flows from/(used in) financing activities		220	(1,196)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		21,668	24,620
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
		23,315	19,992
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		23,315	19,992
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		23,315	19,992

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

The condensed consolidated financial information is presented in Hong Kong dollars, which is also the functional currency of the Company.

The condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

The condensed consolidated financial information have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules and with Hong Kong Accounting Standards ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial information have been prepared under the historical cost convention, except for the leasehold land and building that are measured at fair value.

The condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should read in conjunction with the Group's financial information included in the Prospectus and the annual report for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's financial information for the year ended 31 December 2018 except for the application of the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which have become effective in the current period.

The adoption of the new and revised HKFRSs had no material effect on the results and financial position.

4. SEGMENT INFORMATION

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

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

Information about major customers

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Customer A #	9,027	11,239	18,279	22,552
Customer B #	6,072	6,734	12,203	12,974
Customer C #	2,922	3,791	7,027	9,036

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE

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

An analysis of revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Wholesale of processed raw food	28,674	28,469	57,559	57,470
Wholesale of processed cooked food	2,332	3,146	5,770	7,585
Internet sales and trading of food products	1,027	1,007	2,091	1,866
Income from provision of transportation services	946	938	1,945	1,909
	32,979	33,560	67,365	68,830

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. PROFIT/(LOSS) BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Cost of inventories consumed	22,400	21,563	45,210	44,184
Depreciation	2,198	1,660	4,396	3,313
Minimum lease payments under operating leases	210	150	405	300
Other related expenses	237	214	466	432
Rental and related expenses	447	364	871	732

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period ended 30 June 2019.

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current — Hong Kong Charge for the period	(220)	326	124	906
Deferred	(76)	88	(41)	75
Total tax charge for the period	(296)	414	83	981

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDENDS

No dividend has been paid or declared by the Company during the period from its incorporation date to 30 June 2019.

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

The board of Directors does not recommend a payment of an interim dividend for the six months ended 30 June 2019.

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

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

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Earnings/(loss)				
Profit/(loss) attributable to owners of the Company used in the basic earnings/(loss) per share calculation	(2,332)	998	(2,215)	3,015
	Number of shares			
	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) '000	2018 (Unaudited) '000	2019 (Unaudited) '000	2018 (Unaudited) '000
Shares				
Weighted average number of shares in issue used in the basic earnings/(loss) per share calculation	1,400,000	1,400,000	1,400,000	1,400,000
Earnings/(loss) per share:				
— Basic (HK cents)	(0.17)	0.07	(0.16)	0.22

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (CONTINUED)

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. TRADE RECEIVABLES

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Trade receivables from:		
Third party customers	12,298	16,159
Related companies	3,400	3,747
	15,698	19,906
Impairment	(56)	(56)
	15,642	19,850

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE RECEIVABLES (CONTINUED)

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

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Neither past due nor impaired	8,787	12,658
Less than 1 month past due	6,189	6,812
1 to 3 months past due	666	380
	15,642	19,850

11. BALANCES WITH RELATED PARTIES AND THE ULTIMATE HOLDING COMPANY

Balances with related companies and the ultimate holding company are non-trade in nature, unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE PAYABLES

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Trade payables to:		
Third party suppliers	4,751	5,577
Related companies	326	528
	5,077	6,105

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

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Within 1 month	5,066	6,105
1 to 3 month	11	–
	5,077	6,105

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. INTEREST-BEARING BANK BORROWINGS

	As at 30 June 2019			As at 31 December 2018		
	Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
Current Bank loans — secured	2.75 to 3.0 below prime rate	July 2019 June 2020	2,364	2.75 to 3.0 below prime rate	2019	2,337
Non-current Bank loans — secured	2.75 to 3.0 below prime rate	July 2021 2035	23,834	2.75 to 3.0 below prime rate	2020 2035	25,023
			26,198			27,360

14. SHARE CAPITAL

The share capital balance as at 30 June 2019 in the condensed consolidated statement of financial position represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

	As at 30 June 2019 (Unaudited) HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	100,000
Issued and fully paid: 1,400,000,000 ordinary shares of HK\$0.01 each	14,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CONTINGENT LIABILITIES

At the end of the reporting period, there was an on-going claim in Hong Kong arising from an accident. The accident happened in September 2017 and the injured person, who was an employee of the Group at the time of the accident, suffered injury on his left forearm. The quantum of the claim is yet to be finalised.

16. COMMITMENTS

The Group had no capital commitments at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Golden Cup				
Sales of goods	2,057	2,926	5,248	7,255
Purchases of goods	1,169	865	1,801	2,202
Storage, handling and sub-contracting income	217	165	625	585
Transportation service income	864	865	1,779	1,780
Advertising and promotion expenses	–	–	3	–
Yau Heng				
Sales of goods	1,320	1,004	2,451	2,770
Purchases of goods	–	4	–	55
Transportation service income	19	15	39	34
Guangzhou Ge Yun				
Purchase of goods	1,743	981	2,500	1,971
Consumable expenses	–	3	23	16
lao Ip				
Rental expense	195	150	390	300
Winning Futures				
Sales of goods	2,654	866	4,975	2,393
Transportation service income	35	58	78	93

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel of the Group

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Short term employee benefits	1,353	1,253	2,705	2,507
Post-employment benefits	14	18	27	36
Total compensation paid to key management personnel	1,367	1,271	2,732	2,543

18. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 6 August 2019.