

OS AA01

Statement of details of parent law and other
information for an overseas company

BLUEPRINT

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☒ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law.

☒ **What this form is NOT for**
You cannot use this form to
an alteration of manner of
with accounting requirements

A13 *A7IOXKIH* 14/11/2018 #36
COMPANIES HOUSE
A14 *A7H76ZXR* 23/10/2018 #39
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ① TWS TECHNOLOGY LIMITED

UK establishment number B R 0 1 8 7 5 3

→ **Filling in this form**
Please complete in typescript or in
bold black capitals.

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state.

**Part 2 Statement of details of parent law and other
information for an overseas company**

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited.

Legislation ② Hong Kong Financial Reporting Standards

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts.

A2 Accounting principles

Accounts Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3**.

☒ **Yes.** Please enter the name of the organisation or other
body which issued those principles below, and then go to **Section A3**.

Name of organisation or body ③ Hong Kong Institute of Certified Public Accountants

③ Please insert the name of the
appropriate accounting organisation
or body.

A3 Accounts

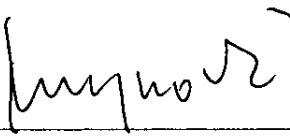
Accounts Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5**.

☒ **Yes.** Go to **Section A4**.

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts		
Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. <input type="checkbox"/> No. Go to Part 3 'Signature' . <input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature' .	① Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ①	Hong Kong Institute of Certified Public Accountants	
A5 Unaudited accounts		
Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. <input type="checkbox"/> No. <input type="checkbox"/> Yes.	
Part 3 Signature		
	I am signing this form on behalf of the overseas company.	
Signature	Signature X  X	
	This form may be signed by: Director, Secretary, Permanent representative.	

OS AA01

Statement of details of parent law and other information for an overseas company



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name REED SMITH LLP

Address

REF CORPORATE SERVICES

THE BROADGATE TOWER

20 PRIMROSE STREET

Post town

LONDON

County/Region

Postcode

E C 2 A 2 R S

Country

UNITED KINGDOM

DX

1066 CITY

Telephone



Important information

Please note that all this information will appear on the public record.



Where to send

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.



Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

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TWS TECHNOLOGY LIMITED
明美國際科技有限公司

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2017



A29	14/09/2018	#166
COMPANIES HOUSE		
A7EHQ5TN		
A29	14/09/2018	#168
COMPANIES HOUSE		

TWS TECHNOLOGY LIMITED
明美國際科技有限公司

DIRECTOR'S REPORT

The director submits its report together with the audited financial statements of the TWS Technology Limited (the "Company") for the year ended 31 December 2017.

Principal activities

The Company is engaged in investing holding, sales of rechargeable battery packs and provision of battery design relating service during the year. The principal activities of its subsidiaries are shown in Note 12 to the financial statements.

Results and appropriations

The results of the Company for the year are set out in the statement of comprehensive income on page 7.

The directors have declared an interim dividend of HK\$22,527,600 per ordinary share, totalling HK\$22,527,600. The directors do not recommend the payment of a final dividend for the year.

Donations

Charitable and other donations made by the Company during the year amounted to HK\$1,567,400.

Share and debenture issued in the year

No shares or debentures were issued by the Company at any time during the year.

Equity-linked agreement

No equity-linked agreement were entered into by the Company at any time during the year or subsisted at the end of the year.

Directors

The directors of the Company during the year and up to the date of this report are:

Mr. Leung Cheong Ming, Raymond
Mr. Gordon David Mackay (appointed on 29 May 2017 and resigned on 11 January 2018)

Mr. Gordon David Mackay resigned on 11 January 2018 as director of the Company. He has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholder of the Company.

In accordance with Article 22 of the Company's Articles of Association, Mr. Leung Cheong Ming, Raymond holds office for an unlimited period of time.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

Except for those transactions disclosed in Note 26 to the financial statements, no other transactions, arrangements and contracts of significance in relation to the Company's business to which the Company's subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

TWS TECHNOLOGY LIMITED
明美國際科技有限公司

DIRECTOR'S REPORT (CONTINUED)

Directors' interests in the underlying shares and debentures of the Company or any specified undertaking of the Company

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors of the Company to hold any interests in the shares or debentures of, the Company or its specified undertaking.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Business review

The Company is exempted from preparing a business review under Section 388(3) of the Hong Kong Companies Ordinance (Cap. 622) as the Company is a wholly owned subsidiary of TWS Technology (Guangzhou) Limited in the financial year.

Permitted indemnity provisions

During the year and up to the date of this Director's Report, there is a permitted indemnity provision being in force for the benefit of any of the directors of the Company.

Auditor

Deloitte Touche Tohmatsu, resigned as the auditor of the Company and the directors appointed PricewaterhouseCoopers to fill casual vacancy.

The financial statements have been audited by PricewaterhouseCoopers, who retire and being eligible, offer themselves for re-appointment.

On behalf of the Board



Leung Cheong Ming, Raymond

Director

Hong Kong, 15 AUG 2018



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF TWS TECHNOLOGY LIMITED**
明美國際科技有限公司
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The financial statements of TWS Technology Limited (the "Company") standing alone set out on pages 7 to 46, which comprise:

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

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements of the Company Standing Alone section of our report.

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

Independence

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF TWS TECHNOLOGY LIMITED**
明美國際科技有限公司
(incorporated in Hong Kong with limited liability)

Other Information

The sole director is responsible for the other information. The other information comprises the information included in the director's report, but does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Sole Director for the Financial Statements of the Company Standing Alone

The sole director is responsible for the preparation of the financial statements that give a true and fair view in accordance with the applicable HKFRSs issued by the HKICPA relevant to these financial statements and the Hong Kong Companies Ordinance, and for such internal control as the sole director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the sole director is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the sole director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The sole director is responsible for overseeing the Company's financial reporting process.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF TWS TECHNOLOGY LIMITED**
明美國際科技有限公司
(incorporated in Hong Kong with limited liability)

**Auditor's Responsibilities for the Audit of the Financial Statements of the Company
Standing Alone**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the sole director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF TWS TECHNOLOGY LIMITED**
明美國際科技有限公司
(incorporated in Hong Kong with limited liability)

**Auditor's Responsibilities for the Audit of the Financial Statements of the Company
Standing Alone (Continued)**

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

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 AUG 2010

TWS TECHNOLOGY LIMITED
明美國際科技有限公司

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 HK\$	From 11 December 2015 (date of incorporation) to 31 December 2016 HK\$ Restated (Note 2.2)
Revenue	5	1,122,516,631	410,956,272
Cost of sales	7	(1,002,414,263)	(369,112,260)
Gross profit		120,102,368	41,844,012
Other income		3	23,791
Other (losses)/gains	6	(1,015,673)	445,078
Selling and distribution expenses	7	(38,524,828)	(11,643,264)
Administrative expenses	7	(12,511,017)	(8,065,067)
Operating income		68,050,853	22,604,550
Finance costs, net	9	(5,527,305)	(1,206,131)
Profit before income tax		62,523,548	21,398,419
Income tax expenses	10	(11,026,370)	(4,425,355)
Profit and total comprehensive income for the year/period		51,497,178	16,973,064

The notes on pages 12 to 46 are an integral part of these financial statements.

TWS TECHNOLOGY LIMITED
明美國際科技有限公司

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 HK\$	2016 HK\$ Restated (Note 2.2)
ASSETS			
Non-current assets			
Investments in subsidiaries	12	145,631	-
Investment in a joint venture	13	-	-
Deferred tax assets	14	320,032	-
		<u>465,663</u>	<u>-</u>
Current assets			
Inventories	15	17,659,347	4,666,209
Prepayments, trade and other receivables	16	199,122,109	95,715,139
Amount due from a director	17	-	1,747,411
Amount due from an intermediate holding company	17	-	51
Amount due from the immediate holding company	17	174,965,553	75,761,306
Amounts due from fellow subsidiaries	17	19,539,232	120,833,766
Amount due from a subsidiary	17	-	24,691
Cash and cash equivalents	18	20,660,106	9,477,526
		<u>431,946,347</u>	<u>308,226,099</u>
Total assets		<u>432,412,010</u>	<u>308,226,099</u>
EQUITY			
Capital and reserves			
Share capital	19	1	1
Retained earnings		45,942,642	16,973,064
Capital contribution by the immediate holding company		852,712	-
Total equity		<u>46,795,355</u>	<u>16,973,065</u>

The notes on pages 12 to 46 are an integral part of these financial statements.

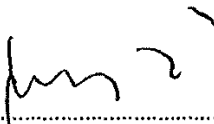
TWS TECHNOLOGY LIMITED
明美國際科技有限公司

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 HK\$	2016 HK\$ Restated (Note 2.2)
LIABILITIES			
Current liabilities			
Trade and other payables	20	127,390,176	63,409,134
Amount due to an intermediate holding company	17	8,966,258	-
Amount due to the immediate holding company	17	156,835,230	116,328,364
Amount due to a fellow subsidiary	17	-	44,313
Amounts due to subsidiaries	17	7,680,250	-
Bank borrowings	21	68,972,984	107,045,868
Income tax payable		15,771,757	4,425,355
Total liabilities		385,616,655	291,253,034
Total equity and liabilities		432,412,010	308,226,099

The notes on pages 12 to 46 are an integral part of these financial statements.

The financial statements on page 7 to 46 were approved by the director on 15 AUG 2018


.....
Mr. Leung Cheong Ming, Raymond
Director

TWS TECHNOLOGY LIMITED
明美國際科技有限公司

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital HK\$	Capital Contribution of the immediate holding company HK\$ (Note)	Retained earnings HK\$	Total HK\$
Issue of share at date of incorporation	1	-	-	1
Total comprehensive income for the period	-	-	16,973,064	16,973,064
As at 31 December 2016, as restated	<u>1</u>	<u>-</u>	<u>16,973,064</u>	<u>16,973,065</u>
As at 1 January 2017	<u>1</u>	<u>-</u>	<u>16,973,064</u>	<u>16,973,065</u>
Total comprehensive income for the year	-	-	51,497,178	51,497,178
Transaction with the owner: Interim dividend (Note 11)	-	-	(22,527,600)	(22,527,600)
Contributions of equity net of transaction costs	-	852,712	-	852,712
	<u>-</u>	<u>852,712</u>	<u>(22,527,600)</u>	<u>(21,674,888)</u>
As at 31 December 2017	<u>1</u>	<u>852,712</u>	<u>45,942,642</u>	<u>46,795,355</u>

Note: Without increasing the shareholdings, the Company's immediate holding company, TWS Technology (Guangzhou) Limited, contributed Renminbi 720,678 (equivalent to HK\$852,712) to the Company on 30 June 2017.

The notes on pages 12 to 46 are an integral part of these financial statements.

TWS TECHNOLOGY LIMITED
明美國際科技有限公司

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 HK\$	From 11 December 2015 (date of incorporation) to 31 December 2016 HK\$ (Restated)
Operating activities			
Net cash (used in)/generated from operations	22	(59,611,620)	28,786,397
Interest received		138,613	669
Interest paid		(5,665,823)	(930,481)
Net cash (used in)/generated from operating activities		(65,138,830)	27,856,585
Investing activities			
Payment for acquisition of subsidiaries		(149,950)	-
Repayment from/(advance to) a director		1,747,315	(1,747,315)
Repayment from an intermediate holding company		51	-
Advance to fellow subsidiaries		(19,510,427)	(122,469,699)
Repayment from subsidiaries		119,519,572	-
Advance to subsidiaries		(4,256,067)	(24,691)
Advance to a joint venture		-	(1,271,995)
Net cash generated from/(used in) investing activities		97,350,494	(125,513,700)
Financing activities			
Capital injection from immediate holding company		852,712	-
Proceeds from bank borrowings		434,667,118	149,811,701
Repayments of bank borrowings		(473,294,506)	(42,733,776)
Advances from subsidiaries		7,658,913	-
Advance from a fellow subsidiary		-	63,468
Advance from an intermediate holding company		8,966,258	-
Net cash (used in)/generated from financing activities		(21,149,505)	107,141,393
Net increase in cash and cash equivalents		11,062,159	9,484,278
Cash and cash equivalents at beginning of the year		9,477,526	-
Effects of exchange rate changes on cash and cash equivalents		120,421	(6,752)
Cash and cash equivalents at end of the year		20,660,106	9,477,526

The notes on pages 12 to 46 are an integral part of these financial statements.

TWS TECHNOLOGY LIMITED
明美國際科技有限公司

NOTES TO THE FINANCIAL STATEMENTS

1 General information

TWS Technology Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The address of its registered office and principal place of business of the Company is 20/F, Alexandra House, 18 Chater Road, Central, Hong Kong. Its immediate holding company is TWS Technology (Guangzhou) Limited (formerly known as “Leung’s Communication & Electric Products (Guangzhou) Limited”), a limited company established in the People’s Republic of China (the “PRC”). Its ultimate holding company is China Corporate Limited, a limited company incorporated in British Virgin Islands (“BVI”) and the ultimate controlling party of the Company is Mr. Leung Cheong Ming, Raymond.

The Company acts as an investment holding company and is principally engaged in sales of rechargeable battery packs and provision of battery design relating service. The principal activities of its subsidiaries are set out in Note 12 to the financial statements.

These financial statements are presented in Hong Kong dollars, unless otherwise stated.

2 Summary of significant accounting policies

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

2.1 Statement of compliance and basis of preparation

For the purposes of compliance with sections 379 and 380 of the Hong Kong Companies Ordinance (Cap. 622), the financial statements of TWS Technology Limited have been prepared to present a true and fair view of the financial position and financial performance of the Company only. Consequently, the financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622) that are relevant to the preparation of company level financial statements by an intermediate parent company.

The Company is a wholly owned subsidiary of TWS Technology (Guangzhou) Limited and it has satisfied the exemption requirement sets out in section 379(3)(a) of the Hong Kong Companies Ordinance (Cap. 622) and therefore it is not required to prepare consolidated financial statements.

Given the above, the financial statements are not prepared for the purpose of compliance with HKFRS 10 “Consolidated financial statements” (“HKFRS 10”) so far as the preparation of consolidated financial statements is concerned. As a consequence, the financial statements do not give all the information required by HKFRS 10 about the economic activities of the Group of which the Company is the parent. Furthermore, as these financial statements are prepared in respect of the Company only, disclosures required by HKFRS 12 “Disclosures of Interests in Other Entities” have not been made.

The financial statements have been prepared under the historical cost conversion.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

TWS TECHNOLOGY LIMITED
明美國際科技有限公司

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Statement of compliance and basis of preparation (Continued)

(a) Amendments to existing standards effective in financial year beginning 1 January 2017

The following amendment to standards are mandatory for accounting periods beginning on or after 1 January 2017.

HKAS 7 (Amendments)	Statement of Cash Flows: Disclosure Initiative
HKAS 12 (Amendments)	Income Taxes
Annual improvement project (HKFRS 12 (Amendments))	Disclosure of Interest in other entities

The adoption of these amended standards does not have any significant impact to the results and financial position of the Company except for the HKAS 7 (amendments) which requires disclosure of changes in liabilities arising from financing activities, see Note 22(c) for details.

(b) New and amended standards and interpretations

New standards and amendments to existing standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted

		Effective for accounting periods beginning on or after
Annual improvements project	Annual Improvements 2014-2016 Cycle	1 January 2018
Annual improvements project	Annual Improvements to HKFRS 2015-2017 Cycle	1 January 2019
HKAS 19 (Amendments)	Employee Benefits	1 January 2019
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures	1 January 2019
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 18 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRIC – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRIC – Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The Company has commenced an assessment of the impact of these new standards and amendments to existing standards and interpretations. Except as discussed below, the Company is not yet in a position to state whether they would have a significant impact on its results of operations and financial position

TWS TECHNOLOGY LIMITED
明美國際科技有限公司

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Statement of compliance and basis of preparation (Continued)

(b) New and amended standards and interpretations (Continued)

(i) HKFRS 9, "Financial Instruments"

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Company has reviewed its financial assets and liabilities and the financial assets held by the Company and noted that the Company does not include any equity instruments currently classified as available-for-sale financial assets for which a fair value through other comprehensive income ("FVOCI") election is available. Accordingly, the Company does not expect the new guidance to affect the classification and measurement of the Company's financial assets.

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The Company does not apply any hedge accounting, therefore the management expects no financial impact regarding the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Company has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Company

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Company will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2018 will not be restated.

TWS TECHNOLOGY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Statement of compliance and basis of preparation (Continued)

(b) New and amended standards and interpretations (Continued)

(ii) HKFRS 15, "Revenue from contracts with Customers" (Continued)

Nature of change

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

Impact

Management is currently assessing the effects of applying the new standard on the Company's financial statements and has identified the following areas that are likely to be affected:

- revenue from sales of goods — the application of HKFRS 15 may result in the identification of separate performance obligation which could affect the timing of the recognition of revenue;
- accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and
- rights of return — HKFRS 15 requires separate presentation on the statement of financial position of the right to recover the goods from the customer and the refund obligation.

The Company is assessing the impact of this standard by analysing the above criteria regarding the revenue recognition and currently has not identified any material impact to the Company.

Date of adoption by Company

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Company intends to adopt the standards using the modified retrospective approach, which means the cumulative impact of the adoption will be recognised in retained earnings as at 1 January 2018 and the comparatives will not be restated.

(iii) HKFRS 16, "Leases"

Nature of change

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

The accounting for lessors will not significantly change.

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Statement of compliance and basis of preparation (Continued)

(b) New and amended standards and interpretations (Continued)

(iii) HKFRS 16, "Leases"

Impact

The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of HK\$532,184 as stated in Note 23. The Company is still in process of assessing the impact, if any, because of the change in definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Company's profit or loss and classification of cash flows going forward.

Date of adoption by the Company

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

TWS TECHNOLOGY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Restatement due to correction of prior year's errors

In preparing these financial statements, the director of the Company has identified certain prior year's accounting error ("PYA") that have material impact on the statement of financial position and other explanatory notes. The PYA have been reflected by adjusting the opening balances of relevant assets and applied to prior years' financial statements presented.

A detailed description of the nature of each PYA is provided in Notes 2.2(a) to 2.2(j) below. The amounts of the PYA for each financial statement line item affected are presented in the tables in Notes 2.2(k) and 2.2(l) below.

(a) Investment in a subsidiary

As at 31 December 2016, the Company had a capital commitment for injection in a company incorporated in the United States of America but it was mistakenly recognised as an investment in a subsidiary. The said investment was derecognised and resulted in a decrease in the Company's investment in the subsidiary and a corresponding decrease in the amount due to a subsidiary by HK\$3,900,000.

(b) Year end translation differences

As at 31 December 2016, the Company did not apply the appropriate closing rate for the financial assets and liabilities presented in the statement of financial position in accordance with HKAS 21 – The Effects of Changes in Foreign Exchange Rates. The correction to account for the appropriate exchange rate for the respective financial assets and liabilities resulted in an increase in the Company's other (losses)/gains by HK\$99,284.

(c) Translation differences for the transactions incurred during the year

During the period from 11 December 2015 (date of incorporation) to 31 December 2016, the Company did not apply the appropriate spot rate for the sales and purchase transactions recognised during the year in accordance with HKAS 21 – The Effects of Changes in Foreign Exchange Rates. The correction to account for the appropriate exchange rate for the transactions resulted in a decrease in the Company's other (losses)/gains by HK\$148,695.

(d) Bank account and the respective bank charges

As at 31 December 2016, the Company mistakenly accounted for bank balance held in the name of a subsidiary as cash and cash equivalents. The correction to derecognise the cash and cash equivalents and the related bank charges previously recognised resulted in an increase in the amounts due from subsidiaries of HK\$24,924 and a decrease in the Company's finance costs by HK\$431.

(e) Finance income and finance costs

During the period from 11 December 2015 (date of incorporation) to 31 December 2016, the Company under-provided interest income from certain related parties and under-provided interest expenses on certain bank borrowings. The correction to adjust the respective under-provision resulted in (i) an increase in the Company's finance costs, net by HK\$1,839; (ii) an increase in the Company's balances due from the related parties by HK\$330; and (iii) an increase the Company's other payables by HK\$2,169.

TWS TECHNOLOGY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Restatement due to correction of prior year's errors

(f) Sales and purchases cut-off adjustments

During the period from 11 December 2015 (date of incorporation) to 31 December 2016, the Company did not recognise a sales and purchase transaction in the correct accounting period in accordance with HKAS 18 – Revenue. The correction to adjust the cut-off error resulted in a decrease in the Company's profit and total comprehensive income for the year by HK\$132,098. Details of the adjustments to sales and purchases are shown in Note 2.2(k).

(g) Provision for impairment of amount due from a joint venture

As at 31 December 2016, the Company did not recognise a provision for impairment of an amount due from a joint venture in accordance with HKAS 36 – Impairment of Assets. The correction to recognise the impairment resulted in a decrease in the amount due from a joint venture and a corresponding increase in the administrative expenses by HK\$3,861,912.

(h) Payment on behalf of a director

During the period from 11 December 2015 (date of incorporation) to 31 December 2016, the Company mistakenly accounted for a payment made on behalf of a director as administrative expense of the Company. The correction to adjust this error resulted in a decrease in the administrative expenses and a corresponding decrease in the amount due to a director by HK\$117,000.

(i) Income tax

The Company has incorrectly computed the income tax expense during the period from 11 December 2015 (date of incorporation) to 31 December 2016. The correction in accordance with HKAS 12 – Income Taxes resulted in a decrease in the Company's income tax payable and income tax expenses by HK\$18,299.

(j) Other reclassification adjustments

As at and during the period from 11 December 2015 (date of incorporation) to 31 December 2016, certain financial statement line items were not appropriately classified in accordance with HKAS 1 (Revised) – Presentation of Financial Statements. The correction to reclassify these financial statement line items does not result in any change in the profit, total comprehensive income and total equity of the Company.

TWS TECHNOLOGY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Restatement due to correction of prior year's errors (Continued)

(k) Impact on the statement of comprehensive income:

	From 11 December 2015 (date of incorporation) to 31 December 2016 (as previously reported)	Note(b) HK\$	Note(c) HK\$	Note(d) HK\$	Note(e) HK\$	Note(f) HK\$	Note(g) HK\$	Note (h) HK\$	Note (i) HK\$	Note (j) HK\$	From 11 December 2015 (date of incorporation) to 31 December 2016 (as restated) HK\$
Revenue	(415,269,202)	-	2,198,323	-	-	2,114,607	-	-	-	-	(410,956,272)
Cost of Sales	373,144,397	-	(2,049,628)	-	-	(1,982,509)	-	-	-	-	369,112,260
Other income	(24,460)	-	-	-	-	-	-	-	-	669	(23,791)
Other losses/(gains)	1,300,052	99,284	(148,695)	-	-	-	-	-	-	(1,695,719)	(445,078)
Selling and distribution expenses	11,643,264	-	-	-	-	-	-	-	-	-	11,643,264
Administrative expenses	2,624,435	-	-	-	-	-	3,861,912	(117,000)	-	1,695,720	8,065,067
Finance costs, net	1,205,393	-	-	(431)	1,839	-	-	-	-	(670)	1,206,131
Income tax expense	4,443,654	-	-	-	-	-	-	-	(18,299)	-	4,425,355
Profit and total comprehensive income for the period	(20,932,467)	99,284	-	(431)	1,839	132,093	3,861,912	(117,000)	(18,299)	-	(16,973,064)

TWS TECHNOLOGY LIMITED
明美國際科技有限公司

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Restatement due to correction of prior year's errors (Continued)

(1) Impact on the statement of financial position (Continued):

	2016 (as previously reported)	Note(a) HK\$	Note(b) HK\$	Note(d) HK\$	Note(c) HK\$	Note(f) HK\$	Note(g) HK\$	Note(h) HK\$	Note(i) HK\$	Note(j) HK\$	2016 (as restated) HK\$
Share capital	20,932,467	-	-	-	-	-	-	-	-	-	1
Retained earnings	20,932,468	-	(99,284)	431	(1,839)	(132,098)	(3,861,912)	117,000	18,299	-	16,973,064
											16,973,065
Trade and other payables	63,753,434	-	(353,188)	-	2,169	-	-	-	-	6,719	63,409,134
Amount due to a director	117,000	-	-	-	-	-	-	(117,000)	-	-	-
Amount due to immediate holding company	119,001,920	-	(691,047)	-	-	(1,982,509)	-	-	-	-	116,328,364
Amounts due to fellow subsidiaries	91,879	-	(1,525)	-	-	-	-	-	-	(46,041)	44,313
Amounts due to subsidiaries	3,900,000	(3,900,000)	-	-	-	-	-	-	-	-	-
Amount due to a joint venture	281,531	-	-	-	-	-	-	-	-	(281,531)	-
Bank borrowings	107,680,909	-	(635,041)	-	-	-	-	-	-	-	107,045,868
Income tax payable	4,443,654	-	-	-	-	-	-	-	(18,299)	-	4,425,355
Total liabilities	299,270,327	(3,900,000)	(1,680,801)	-	2,169	(1,982,509)	-	(117,000)	(18,299)	(320,853)	291,253,034
Total equity and liabilities	320,202,795	(3,900,000)	(1,780,085)	431	330	(2,114,607)	(3,861,912)	-	-	(320,853)	308,226,099

TWS TECHNOLOGY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Restatement due to correction of prior year's errors (Continued)

(i) Impact on the statement of financial position:

	2016 (as previously reported)	Note(a) HK\$	Note(b) HK\$	Note(d) HK\$	Note(e) HK\$	Note(f) HK\$	Note(g) HK\$	Note (h) HK\$	Note (i) HK\$	Note (j) HK\$	2016 (as restated) HK\$
Investments in subsidiaries	3,900,000	(3,900,000)	-	-	-	-	-	-	-	-	-
Inventories	4,666,209										4,666,209
Prepayment, trade and other receivables	98,357,792	-	(543,568)	-	(2,114,607)	-	-	-	15,022	-	95,715,139
Amount due from a director	1,747,315	-	-	-	96	-	-	-	-	-	1,747,411
Amount due from an intermediate holding company	-	-	-	-	51	-	-	-	-	-	51
Amount due from immediate holding company	76,210,754	-	(449,448)	-	-	-	-	-	-	-	75,761,306
Amounts due from fellow subsidiaries	121,610,599	-	(722,672)	-	183	-	-	-	(54,344)	-	120,833,766
Amounts due from subsidiaries	-	-	(233)	24,924	-	-	-	-	-	-	24,691
Amount due from a joint venture	4,166,354	-	(22,911)	-	-	-	(3,861,912)	-	(281,531)	-	-
Cash and cash equivalents	9,543,772	-	(41,753)	(24,493)	-	-	-	-	-	-	9,477,526
Total assets	320,202,795	(3,900,000)	(1,780,085)	431	330	(2,114,607)	(3,861,912)	-	(320,853)	-	308,226,099

TWS TECHNOLOGY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Impairment of investments in subsidiaries, joint arrangements and non-financial assets (Continued)

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

2.7 Financial assets

2.7.1 Classification

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise "trade receivables and other receivables", "amount due from a director", "amount due from an intermediate holding company", "amount due from immediate holding company", "amounts due from fellow subsidiaries", "amount due from a subsidiary", and "cash and cash equivalents" in the statement of financial position (Notes 2.10 and 2.11).

2.7.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

2.8 Impairment of financial assets

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

TWS TECHNOLOGY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Investments in subsidiaries

A subsidiary is an entity (including a structured entity) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

2.4 Investments in joint arrangements

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

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

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

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

2.6 Impairment of investments in subsidiaries, joint arrangements and non-financial assets

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

TWS TECHNOLOGY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.14 Borrowings

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

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

2.15 Current and deferred income tax

Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

(a) Current income tax

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

(b) Deferred income tax

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

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

2.16 Employee benefits

(a) Pension obligations

The Company participates in general defined contribution pension schemes. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

TWS TECHNOLOGY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.8 Impairment of financial assets (Continued)

Assets carried at amortised cost

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

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

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

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

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturity of three months or less.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Trade and other payables

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

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

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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk primarily through sales and purchases transactions that are denominated in a currency other than the functional currency of the Company. The Company considers its foreign currency exposure mainly arises from the exposure of Renminbi and Euro against Hong Kong dollar. As Hong Kong dollar is pegged to United States dollar, the Company believes the exposure of transactions denominated in United States dollar which are entered into by the Company with a functional currency of Hong Kong dollar to be insignificant.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company mitigates this risk by maintaining Hong Kong dollars and United States dollars bank accounts which are used by the Company to pay for the transactions denominated in these currencies.

As all of the Company's borrowings are denominated in Hong Kong dollar or United States dollar, the management does not expect that there will be any significant foreign exchange risk associated with the Company's borrowings.

At 31st December, 2017, if Renminbi had strengthened/weakened by 5% (2016: 5%) against Hong Kong dollar with all other variables held constant, post-tax profit for the year would have been approximately HK\$940,444 lower/higher (2016: HK\$210) mainly as a result of foreign exchange losses/gains on translation of trade and other payable denominated in Renminbi of the Company.

At 31st December, 2017, if Euro had strengthened/weakened by 5% (2016: 5%) against Hong Kong dollar with all other variables held constant, post-tax profit for the year would have been approximately HK\$ 436,624 higher/lower (2016: HK\$124,677) mainly as a result of foreign exchange gains/losses on translation of trade and other receivables denominated in Euro of the Company.

(ii) Cash flow interest rate risk

As the Company has no significant interest-bearing assets except for the cash at bank and amounts due from certain related parties, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.16 Employee benefits (Continued)

(b) Profit-sharing and bonus plans

Provisions for profit-sharing and bonus plans due wholly within twelve months after statement of financial position date are recognised when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.17 Provisions

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

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

Sales of goods

Sales of goods are recognised when the Company has delivered products to the customers; the customer have accepted the products and collectability of the related receivables is reasonably assured.

Revenue from services

Revenue from services is recognised in the accounting period in which the services are rendered.

2.19 Leases

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

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The director aim to maintain flexibility in funding by keeping credit lines available.

Management monitors rolling forecasts of the Company's liquidity reserve which comprises undrawn borrowing facility, trade receivables, balances with group companies and cash and cash equivalents on the basis of expected cash flow. The amounts of these financial assets are set out in the statement of financial position .

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand or with no fixed repayment terms HK\$	Less than 1 year HK\$	Total HK\$
At 31 December 2017			
Trade and other payables	-	119,669,560	119,669,560
Amount due to an intermediate holding company	8,966,258	-	8,966,258
Amount due to immediate holding company	156,835,230	-	156,835,230
Amounts due to subsidiaries	7,680,250	-	7,680,250
Bank borrowings	-	68,972,984	68,972,984
	<u>173,481,738</u>	<u>188,642,544</u>	<u>362,124,282</u>
	On demand or with no fixed repayment terms HK\$	Less than 1 year HK\$	Total HK\$
At 31 December 2016 (Restated)			
Trade and other payables	-	63,131,811	63,131,811
Amount due to immediate holding company	116,328,364	-	116,328,364
Amount due to a fellow subsidiary	44,313	-	44,313
Bank borrowings	-	107,428,345	107,428,345
	<u>116,372,677</u>	<u>170,560,156</u>	<u>286,932,833</u>

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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow interest rate risk (Continued)

The Company's interest rate risk mainly arises from bank borrowings. The Company is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Company's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") and Hong Kong Interbank Offered Rate ("HIBOR") arising from the Company's bank borrowings.

At 31 December 2017, if interest rate on bank borrowing had been 10 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK\$58,000 (2016: HK\$89,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

Credit risk of the Company mainly arises from cash and cash equivalents as well as credit exposures to customers such as trade and other receivables and amounts due from a director and group companies. The credit risk on cash and cash equivalents is limited because the Company mainly places the deposits in banks with high credit rating and management does not expect any losses from non-performance by banks.

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

The Company has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Company performs periodic credit evaluations of its customers. The Company usually requires customers to settle the balances with normal credit terms of 30 to 90 days. As at 31 December 2017, there were six (2016: five) customers with outstanding balance exceeding 5% of the Company's trade receivables, and the aggregate balance from these customers accounted for approximately 67% (2016: 72%) of the Company's trade receivables. Other than these customers, there was no other significant concentration of credit risk in respect to trade receivables. Management considers that the credit risk in respect of these customers is minimal after considering the financial position and past experience with these customers. The Company's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible accounts receivable has been made.

Management considers the credit risk on amounts due from group companies is minimal after considering the financial conditions of these entities. Management has performed assessment over the recoverability of these balances and management does not expect any losses from non-performance by these companies.

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4 Critical accounting estimates and judgements (Continued)

(c) Income taxes and deferred income tax

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be required. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

5 Revenue

An analysis of the Company's revenue for the year is as follows:

	2017 HK\$	From 11 December 2015 (date of incorporation) to 31 December 2016 HK\$ (Restated)
Sales of products		
- battery related materials	396,501,195	201,825,126
- rechargeable battery packs	715,564,830	203,855,554
Service fee	10,450,606	5,275,592
	<u>1,122,516,631</u>	<u>410,956,272</u>

6 Other (losses)/gains

	2017 HK\$	From 11 December 2015 (date of incorporation) to 31 December 2016 HK\$ (Restated)
Exchange (losses)/gains	<u>(1,015,673)</u>	<u>445,078</u>

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3 Financial risk management (Continued)

3.2 Capital risk management

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

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

3.3 Fair value estimation

The carrying amount of the Company's financial assets, including trade and other receivables, amount due from a director, amounts due from an intermediate holding company, an immediate holding company, fellow subsidiaries and a subsidiary, and cash and cash equivalents and financial liabilities, including trade and other payables, amounts due to an intermediate holding company, an immediate holding company, fellow subsidiaries and subsidiaries, and bank borrowings, respectively, approximate their fair values due to their short-term maturities.

3.4 Offsetting financial assets and financial liabilities

No financial asset and financial liability is subject to offsetting under an enforceable master netting arrangement or similar arrangement as at 31 December 2017 and 2016.

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated provision for inventories

Inventories are written-down to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(b) Estimated impairment of receivables

The Company makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivable is recognised in the years in which such estimates have been changed.

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NOTES TO THE FINANCIAL STATEMENTS

9 Finance costs, net

	2017 HK\$	From 11 December 2015 (date of incorporation) to 31 December 2016 HK\$ (Restated)
Finance income:		
Interest income on amounts due from related parties	130,379	331
Interest income on bank deposits	8,139	669
	<u>138,518</u>	<u>1,000</u>
Finance costs:		
Interest expenses on bank borrowings	(5,665,823)	(1,207,131)
Finance costs - net	<u>(5,527,305)</u>	<u>(1,206,131)</u>

10 Income tax expenses

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

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

	2017 HK\$	From 11 December 2015 (date of incorporation) to 31 December 2016 HK\$ (Restated)
Current income tax		
- Hong Kong profits tax	11,346,402	4,425,355
Deferred income tax (Note 14)	(320,032)	-
	<u>11,026,370</u>	<u>4,425,355</u>

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NOTES TO THE FINANCIAL STATEMENTS

7 Expenses by nature

	2017 HK\$	From 11 December 2015 (date of incorporation) to 31 December 2016 HK\$ (Restated)
Cost of inventories	1,002,414,263	369,112,260
Provision for impairment losses on trade receivables	108,658	-
Provision for inventory obsolescence	1,830,933	-
Provision for impairment of investment in a joint venture	-	1,560,000
Provision for impairment of investments in subsidiaries	394,319	-
Provision for impairment of amount due from a joint venture	-	3,861,912
Provision for impairment of amount due from a subsidiary	3,908,617	-
Write-off of inventories	45,570	135,720
Auditor's remuneration (Note)	150,000	-
Employee benefit expense (Note 8)	9,037,069	1,781,294
Management fee expense	22,687,822	4,907,806
Transportation and freight charges	6,311,184	4,597,676
Other expenses	6,561,673	2,863,923
	<u>1,053,450,108</u>	<u>388,820,591</u>

Note: The auditor's remuneration for the period from 11 December 2015 (date of incorporation) to 31 December 2016 was borne by an intermediate holding company, TWS Industrial (Holdings) Limited.

8 Employee benefit expense

	2017 HK\$	From 11 December 2015 (date of incorporation) to 31 December 2016 HK\$
Wages, salaries and bonuses	8,943,006	1,756,963
Pension costs - defined contribution schemes	94,063	24,331
	<u>9,037,069</u>	<u>1,781,294</u>

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12 Investments in subsidiaries (Continued)

Details of the Company's subsidiaries as at 31 December 2017 are as follows:

<u>Name</u>	<u>Place of incorporation</u>	<u>Issued and fully paid share capital</u>	<u>Interest held directly</u>	<u>Principal activities</u>
TWS Korea Inc. (Note (a))	Korea	₩270,000,000	60%	Sales of bare cells
TWS Technology LLC (Note (b))	United State of America	-	100%	Sales of bare cells
TWS Europe Limited (Note(c))	United Kingdom	US\$100,000	100%	Sales of bare cells
TWS (Macao Commercial Offshore) Limited (Note (d))	Macau	Mop100,000	100%	Sales of bare cells

Note:

- (a) On 28 November 2017, the Company has further subscribed 50,000 shares of TWS Korea Inc. After the subscription, TWS Korea Inc. became a direct subsidiary of the Company.
- (a) As at the date of this report, the initial capital amounting to US\$500,000 has not been injected by the Company to TWS Technology LLC.
- (c) On 30 June 2017, the Company has acquired 100,000 shares (representing 100% of the total issued share capital) of TWS Europe Limited from one of its intermediate holding company at a consideration of US\$1. After the acquisition, TWS Europe Inc. became a direct subsidiary of the Company.
- (d) On 29 July 2017, the Company has acquired 100% issued share capital of TWS (Macao Commercial Offshore) Limited from one of its intermediate holding company at a consideration of Mop150,000. After the acquisition, TWS (Macao Commercial Offshore) Limited became a direct subsidiary of the Company.

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10 Income tax expenses (Continued)

The taxation on the Company's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2017 HK\$	From 11 December 2015 (date of incorporation to 31 December 2016) HK\$ (Restated)
Profit before income tax	62,523,548	21,398,419
Calculated at tax rate of 16.5% (2016: 16.5%)	10,316,385	3,530,739
Expenses not deductible for tax purpose	762,840	914,781
Income not subject to tax	(22,855)	(165)
Tax concession	(30,000)	(20,000)
Income tax expenses	11,026,370	4,425,355

11 Dividends

	2017 HK\$	From 11 December 2015 (date of incorporation to 31 December 2016) HK\$
Interim dividend paid of HK\$22,527,600 (2016: Nil) per ordinary share	22,527,600	-

12 Investments in subsidiaries

	2017 HK\$	2016 HK\$
Unlisted shares, at cost	2,099,950	-
Less: Provision for impairment	(1,954,319)	-
	145,631	-

Note: As at 31 December 2017, the Directors conducted a review of the Company's investments in subsidiaries and an impairment loss of HK\$1,954,319 (2016: Nil) has been recognised in respect of the investments in subsidiaries.

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16 Prepayments, trade and other receivables

	2017 HK\$	2016 HK\$ (Restated)
Trade receivables	195,830,453	95,385,276
Less: Provision for impairment	(108,658)	-
Trade receivables - net	195,721,795	95,385,276
Prepayments	3,395,514	290,417
Other receivables	4,800	39,446
	<u>199,122,109</u>	<u>95,715,139</u>

The credit period allowed by the Company to its trade customers mainly ranges from 30 days to 90 days and no interest is charged.

As of 31 December 2017, trade receivables of HK\$28,470,125(2016: HK\$12,804,303) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2017 HK\$	2016 HK\$ (Restated)
0 - 30 days	23,003,511	11,950,865
31-60 days	4,252,385	727,032
61 - 90 days	339,500	110,898
Over 90 days	874,729	15,508
	<u>28,470,125</u>	<u>12,804,303</u>

The individually impaired receivables, if any, are recognised based on the credit history of its customers, such as financial difficulties and default in payments. Consequently, specific impairment provision is recognised.

Trade receivables that were neither past due nor impaired relate to a wide range of customers from whom there was no recent history of default.

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2017 HK\$	2016 HK\$
At 1 January	-	-
Provision for impairment recognised during the year	108,658	-
At 31 December	<u>108,658</u>	<u>-</u>

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13 Investment in a joint venture

	2017 HK\$	2016 HK\$
Unlisted shares, at cost	-	1,560,000
Less: Provision for impairment	-	(1,560,000)
	<u>-</u>	<u>-</u>

Note: As at 31 December 2016, the Director conducted a review of the Company's investment in a joint venture, TWS Korea Inc., and an impairment loss of HK\$1,560,000 had been recognised in respect of the investment in a joint venture. During the year ended 31 December 2017, the Company has further subscribed 50,000 shares of TWS Korea Inc. and it became a subsidiary of the Company (Note 12(a)).

14 Deferred tax assets

Deferred taxation is calculated in full on temporary differences under the liability method using the current taxation rate of 16.5% (2016: 16.5%). The movements in the deferred income tax assets are as follows:

	Provision for inventories and receivables HK\$
As at 1 January 2016 and 31 December 2016	-
Credited to the statement of comprehensive income (Note 10)	320,032
As at 31 December 2017	<u>320,032</u>

15 Inventories

	2017 HK\$	2016 HK\$
Finished goods	<u>17,659,347</u>	<u>4,666,209</u>

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16 Prepayments, trade and other receivables (Continued)

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, the Company has transferred the relevant receivables to the bank in exchange for cash and is prevented from selling or pledging the receivables. However, the Company has retained late payment and credit risks. The Company therefore continues to recognise the transferred assets in their entirety in its statement of financial position. The amount repayable under the factoring agreement is presented as secured borrowing in Note 21.

The relevant carrying amounts are as follows:

	2017 HK\$	2016 HK\$
Transferred receivables	77,507,908	56,538,895
Associated secured borrowing (Note 21)	68,972,984	49,898,888

The carrying amounts of prepayment, trade and other receivables approximated their fair values as at 31 December 2017. Prepayment, trade and other receivables were denominated in the following currencies:

	2017 HK\$	2016 HK\$
United States dollar	187,491,401	91,025,602
Euro	10,515,537	3,530,674
Japanese Yen	1,083,315	1,158,863
Hong Kong dollar	27,056	-
Indonesian Rupiah	4,800	-
	199,122,109	95,715,139

17 Balances with a director and group companies

Amounts due from immediate holding company, fellow subsidiaries and subsidiaries and amounts due to an intermediate holding company, immediate holding company, a fellow subsidiary and subsidiaries are unsecured, interest-free and repayable on demand.

Amounts due from a director, a fellow subsidiary and an intermediate holding company are unsecured, at an interest of 1.5% over HIBOR (2016: 1.5% over HIBOR) and repayable on demand.

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17 Balances with a director and group companies (Continued)

The carrying amounts of balances with a director and group companies approximated their fair values as at 31 December 2017. Balances with a director and group companies were denominated in the following currencies:

	2017 HK\$	2016 HK\$ (Restated)
United States dollar	40,453,563	80,699,706
Renminbi	(13,653)	(12,682)
Hong Kong Dollar	(19,416,863)	1,871,662
Euro	-	(544,394)
Taiwan Dollar	-	(19,744)
	<u>21,023,047</u>	<u>81,994,548</u>

18 Cash and cash equivalents

	2017 HK\$	2016 HK\$ (Restated)
Cash on hand	15,660	-
Cash at bank	20,644,446	9,477,526
	<u>20,660,106</u>	<u>9,477,526</u>

Cash and cash equivalents were denominated in the following currencies:

	2017 HK\$	2016 HK\$ (Restated)
United States dollar	17,064,267	8,422,016
Hong Kong dollar	2,564,094	796,733
Taiwan dollar	381,499	248,000
British Pound	305,057	-
Japanese Yen	268,391	3,113
Renminbi	54,011	7,664
Indonesian Rupiah	15,660	-
Euro	7,127	-
	<u>20,660,106</u>	<u>9,477,526</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The balances approximate to their fair value.

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19 Share capital

	Number of share	Share capital HK\$
Ordinary shares, issued and fully paid:		
As at 31 December 2017 and 2016	<u>1</u>	<u>1</u>

20 Trade and other payables

	2017 HK\$	2016 HK\$ (Restated)
Trade payables	93,728,474	61,592,404
Other payables	33,661,702	1,816,730
	<u>127,390,176</u>	<u>63,409,134</u>

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables approximated their fair values due to their short-term nature as at 31 December 2017. Trade and other payables were denominated in the following currencies:

	2017 HK\$	2016 HK\$ (Restated)
United States dollar	99,280,816	55,710,301
Renminbi	22,527,600	-
Hong Kong Dollar	3,193,587	951,466
British Pound	1,726,360	-
Japanese Yen	597,212	6,747,367
Euro	64,601	-
	<u>127,390,176</u>	<u>63,409,134</u>

21 Bank borrowings

	2017 HK\$	2016 HK\$ (Restated)
Short-term bank loans repayable within 1 year	<u>68,972,984</u>	<u>107,045,868</u>

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21 Bank borrowings (Continued)

As at 31 December 2017, HK\$68,972,984 (2016: HK\$49,898,888) of the bank borrowings were related to factored receivables (Note 16). All bank borrowings were secured by the corporate guarantees given by an intermediate holding company, TWS Industrial (Holding) Limited, and the personal guarantee given by a director of the Company. As at 31 December 2016, corporate guarantees were given by certain fellow subsidiaries for certain bank borrowings.

The bank borrowings carry interest ranging from 1.5% to 2.5% over LIBOR per annum for 2017 and 2016 and 3.5% over HIBOR per annum for 2016.

The bank borrowings were denominated in United States dollar.

22 Notes to the statement of cash flows

(a) Reconciliation of profit before income tax to net cash generated from operations:

	2017 HK\$	2016 HK\$ (Restated)
Profit before income tax	62,523,548	21,398,419
Adjustments for:		
Finance costs	5,665,823	1,207,131
Finance income	(138,518)	(1,000)
Write-off inventories	45,570	135,720
Provision for inventory obsolescence	1,830,933	-
Provision for trade receivables	108,658	-
Impairment loss on investment in a joint venture	-	1,560,000
Impairment losses on investments in subsidiaries	394,319	-
Impairment loss recognised in respect of amount receivable from a subsidiary	3,908,617	-
Impairment loss recognised in respect of amount receivable from a joint venture	-	3,861,912
Exchange difference	2,845,263	(1,260,556)
Operating cash flows before changes in working capital	77,184,213	26,901,626
Changes in working capital:		
Inventories	(14,869,641)	(4,801,929)
Trade and other receivables	(103,033,971)	(95,454,536)
Trade and other payables	39,326,015	64,026,862
Balance with immediate holding company	(58,218,236)	40,707,529
Balance with a joint venture	-	(2,593,155)
Net cash (used in)/generated from operations	(59,611,620)	28,786,397

(b) Non-cash transactions:

The Company has further subscribed 50,000 shares of TWS Korea Inc. for a consideration of US\$50,000 (equivalent to HK\$390,000). The amount was settled through the current account between the Company and TWS Korea Inc. (Note 12(a))

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NOTES TO THE FINANCIAL STATEMENTS

22 Notes to the statement of cash flows (Continued)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the period presented.

	2017 HK\$
Cash and cash equivalents	20,660,106
Bank borrowings	(68,972,984)
Advance from subsidiaries	(7,680,250)
Advance from an intermediate holding company	(8,966,258)
Net debt	<u>(64,959,386)</u>

	<u>Other assets</u>	<u>Liabilities from financing activities</u>			
	Cash and cash equivalents HK\$	Bank borrowings HK\$	Amount due to a subsidiary HK\$	Amount due to an intermediate holding company HK\$	Total HK\$
Net debt as at 31 December 2016	9,477,526	(107,045,868)	-	-	(97,568,342)
Cash flows	11,062,159	38,627,388	(7,658,913)	(8,966,258)	33,064,376
Foreign exchange adjustments	120,421	(554,504)	(21,337)	-	(455,420)
Net debt as at 31 December 2017	<u>20,660,106</u>	<u>(68,972,984)</u>	<u>(7,680,250)</u>	<u>(8,966,258)</u>	<u>(64,959,386)</u>

23 Commitments

(a) Operating lease commitment

As at 31 December 2017, the Company's future aggregate minimum lease payments under various non-cancellable operating lease agreements in respect of office premises are analysed as follows:

	2017 HK\$	2016 HK\$
Within one year	310,147	312,480
In the second to fifth year inclusive	222,037	-
	<u>532,184</u>	<u>312,480</u>

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23 Commitments (Continued)

(b) Financial commitment

As at 31 December 2017 and 2016, the Company has a financial commitment of US\$500,000 (equivalent to HK\$3,900,000) in respect of an investment in a subsidiary.

24 Financial instruments by category

	2017 HK\$	2016 HK\$ (Restated)
<u>Financial assets as per statement of financial position</u>		
Loans and receivables		
- Trade and other receivables	195,726,596	95,385,276
- Amount due from a director	-	1,747,411
- Amount due from an intermediate holding company	-	51
- Amount due from immediate holding company	174,965,553	75,761,306
- Amounts due from fellow subsidiaries	19,539,232	120,833,766
- Amount due from a subsidiary	-	24,691
- Cash and cash equivalents	20,660,106	9,477,526
	<u>410,891,487</u>	<u>303,230,027</u>
	2017 HK\$	2016 HK\$ (Restated)
<u>Financial liabilities as per statement of financial position</u>		
Financial liabilities measured at amortised cost		
- Trade and other payables	119,669,560	63,131,812
- Amount due to an intermediate holding company	8,966,258	-
- Amount due to an immediate holding company	156,835,230	116,328,364
- Amount due to a fellow subsidiary	-	44,313
- Amounts due to subsidiaries	7,680,250	-
- Bank borrowings	68,972,984	107,045,868
	<u>362,124,282</u>	<u>286,550,357</u>

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25 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap.622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G))

(a) Directors' emoluments

The directors' emoluments in respect of their services to the Company and its subsidiaries undertakings during the year is disclosed as follows:

	2017 HK\$	2016 HK\$
Fee	-	-
Salaries and bonus	526,579	-
Employer's contribution to a retirement benefit scheme	21,783	-
Total emoluments	548,362	-

During the year, no emolument was paid or receivable to the directors in respect of accepting office as a director (for the period from 11 December 2015 (date of incorporation) to 31 December 2016: Nil).

(b) Directors' retirement benefits and termination benefits

The directors did not receive or will not receive any retirement benefits or termination benefits during the year (for the period from 11 December 2015 (date of incorporation) to 31 December 2016: Nil).

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

During the year, the Company does not pay consideration to any third parties for making available directors' services (for the period from 11 December 2015 (date of incorporation) to 31 December 2016: Nil).

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

As at 31 December 2017, there are no loans, quasi-loans and other dealing arrangements in favour of the directors, controlled bodies corporate by and controlled entities with such directors (2016: Nil).

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

Except for those transactions disclosed in Note 26, no other significant transactions, arrangements and contracts in relation to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year (for the period from 11 December 2015 (date of incorporation) to 31 December 2016: Same).

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NOTES TO THE FINANCIAL STATEMENTS

26 Related party transactions

- (a) Other than the related party transactions and balances disclosed elsewhere in the financial statements, the Company entered into transactions with related companies in the ordinary course of business during the year. Details relating to these related party transactions are as follows:

<u>Related parties</u>	<u>Nature of transaction</u>	<u>Note</u>	2017 HK\$	2016 HK\$ (Restated)
A director	Interest income	(i)	130,379	96
An intermediate holding company	Interest income	(i)	-	51
	Acquisition of subsidiaries	(iv)	149,950	-
Immediate holding company	Sales of goods	(ii)	394,091,157	164,693,120
	Purchase of goods	(ii)	617,988,870	177,456,011
	Cost for service received	(ii)	10,450,606	-
Subsidiaries	Management fee expense	(iii)	21,360,142	3,911,222
	Sales of goods	(ii)	1,274,713	-
Fellow subsidiaries	Interest income	(i)	-	183
	Management fee expense	(iii)	-	824,129
	Purchase of goods	(ii)	159,993	30,753,936
A joint venture	Sales of goods	(ii)	-	2,593,155
	Management fee expense	(iii)	-	172,455

Notes:

- (i) Interest income is charged at a rate of 1.5% over LIBOR per annum (for the period from 11 December 2015 (date of incorporation) to 31 December 2016: Same).
- (ii) Sales to and purchases of goods or cost of service from related parties were based on the price and terms mutually agreed between the relevant parties (for the period from 11 December 2015 (date of incorporation) to 31 December 2016: Same).
- (iii) Management fee paid to the subsidiaries, fellow subsidiaries and a joint venture is charged at a cost-plus basis with a margin of 6% (for the period from 11 December 2015 (date of incorporation) to 31 December 2016: Same).
- (iv) Acquisition of subsidiaries from the intermediate holding company are detailed in Notes 12 (c) and (d) to the financial statements (for the period from 11 December 2015 (date of incorporation) to 31 December 2016: Nil).

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NOTES TO THE FINANCIAL STATEMENTS

26 Related party transactions (Continued)

(b) Key management compensation

	2017 HK\$	2016 HK\$
Salaries and bonus	77,048	-
Employer's contribution to a retirement benefit scheme	3,301	-
	<u>80,349</u>	<u>-</u>