



# Takbo Group Holdings Limited

德寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock code : 8436



A n n u a l R e p o r t 2 0 2 0



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# Corporate Information

## Executive Directors

Mr. Or Naam (*Chief Executive Officer*)  
Ms. Chan Hoi Yan Polly  
Mr. Or Huen

## Independent Non-Executive Directors

Mr. Tan Chong Huat (*Chairman*)  
Mr. Sung Chi Keung  
Mr. Hui Ha Lam (*appointed on 1 July 2020*)  
Mr. Wong, Irving Holmes Weng Hoong  
(*resigned on 1 July 2020*)

## Audit Committee

Mr. Sung Chi Keung (*Chairman*)  
Mr. Tan Chong Huat  
Mr. Hui Ha Lam (*appointed on 1 July 2020*)  
Mr. Wong, Irving Holmes Weng Hoong  
(*resigned on 1 July 2020*)

## Remuneration Committee

Mr. Tan Chong Huat (*Chairman*)  
Mr. Sung Chi Keung  
Mr. Or Naam

## Nomination Committee

Mr. Hui Ha Lam (*Chairman*) (*appointed on 1 July 2020*)  
Mr. Sung Chi Keung  
Mr. Or Huen  
Mr. Wong, Irving Holmes Weng Hoong (*Chairman*)  
(*resigned on 1 July 2020*)

## Company Secretary

Mr. Ng Chit Sing

## Authorized Representatives

Mr. Or Naam  
Ms. Chan Hoi Yan Polly

## Compliance Officer

Ms. Chan Hoi Yan Polly

## Registered Office

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

## Principal Place of Business in Hong Kong

Flat A, 22/F., EGL Tower  
83 Hung To Road, Kwun Tong  
Kowloon, Hong Kong  
(*change of address on 21 December 2020*)

## Independent Auditors

PricewaterhouseCoopers  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
22nd Floor, Prince's Building  
Central, Hong Kong

## Corporate Information (Continued)

### Principal Bankers

Bank of China (Hong Kong) Limited  
Bank of China Tower  
1 Garden Road, Hong Kong

Nanyang Commercial Bank Limited  
151 Des Voeux Road Central  
Central  
Hong Kong

### Principal Share Registrar and Transfer Office in the Cayman Islands

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

### Hong Kong Branch Share Registrar and Transfer Office

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

### Stock Code

8436

### Company Website

[www.takbogroup.com](http://www.takbogroup.com)

# CEO's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Takbo Group Holdings Limited (the "Company"), I am pleased to present our audited consolidated financial results of the Company and its subsidiaries (collectively, referred to as the "Group") for the year ended 31 December 2020.

Year 2020 was a very challenging year for the global economies. Under COVID-19, not only we faced more precautionary measures in our daily life, we also faced more difficulties in clients' meeting and product logistic arrangements in our business.

Facing a sudden changing world, our management and sales team worked proactively and introduced different new products such as hand sanitizers to the market, which in turn bringing us a revenue growth despite the fact of the uncertainties of the global market economies under COVID-19. However, similar to the other manufacturing business in PRC, due to the appreciation in RMB and general increase in production cost, our overall gross profit margin and net profit were adversely affected during the latest financial year. The Company will keep close monitoring on the market changes in coming year and incorporate different sales strategies to maintain business competitiveness.

On behalf of the Board, I would like to express my sincerest gratitude to all our management team members and staff for their tremendous effort during the year. We shall be grateful for your continuing support and trust in the future.

**Or Naam**

*Chief Executive Officer and Executive Director*

Hong Kong, 19 March 2021



# Management Discussion and Analysis

## Market Overview

Under the outbreak of COVID-19, the global market faced unexpected challenges throughout the year. Traditional businesses in retail shops around the world are badly affected under a series of quarantine and other precautionary measures. Nevertheless, the market maintained a strong sales demand through online platform this year, especially on the healthcare and sanitizer products. Our Group did also get benefit from a solid sales demand from our US and Europe customers.

## Business Overview

The Group is principally engaged in (i) the design, development, manufacture and sale of beauty products; and (ii) the design, development and sale of beauty bags. The core business and revenue structure of the Group has remained unchanged for the year ended 31 December 2020. During the year, our Group adapted new strategies to develop and maintain our sales activities under the changing business environment. Instead of participating in different beauty exhibitions in the PRC like those in previous years, we did explore more local business channels in Hong Kong market this year for the purpose of enhancing our revenue growth. Besides, our management and sales teams did more proactively communication ahead with our overseas customers for needs and product demand, so that the Group could solidate our sales and even achieve a steady sales growth in this challenging year.

## Financial Highlight

	For the year ended		
	31 December		
	2020	2019	Change
	HK\$'000	HK\$'000	%
Revenue	287,768	266,415	8.0
Gross profit	91,642	98,850	-7.3
Gross profit margin	31.8%	37.1%	-5.3
Net profit	18,409	33,053	-44.3
Earnings per share (in HK cents)	4.6	8.3	-44.6

## Prospect

Looking forward, the Directors considers the global businesses would remain uncertain and challenging as the COVID-19 outbreak may still exist for a period of time. The Company will keep high alert of the changing market preferences, evaluate different sales and marketing strategies, and introduce different new products to fit the customers' need. Same as previous years, the Group have a clear goal to strengthen its position as a beauty products manufacturer and solutions provider of beauty bags. Leveraging on its competitive advantages, our Group has confidence that we can overcome the challenges and maintain a sustainable business performance to our shareholders.

## Management Discussion and Analysis (Continued)

### Financial Review

The following table sets out a breakdown of revenue of the Group and the percentage contribution to total revenue by product category for the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Beauty products	268,566	93.3	209,750	78.7
Beauty bags	19,202	6.7	56,665	21.3
Total	287,768	100.0	266,415	100.0

Revenue of the Group for the year ended 31 December 2020 amounted to approximately HK\$287.7 million, representing an increase of approximately 8.0% over the previous year. The increase was mainly attributable to strong sales demand of our toiletries products including hand sanitizers from the US and Europe customers under the outbreak of COVID-19. Our sales team also proactively explored into new sales channels including those in local Hong Kong market, which in turn boost up our overall sales.

The gross profit of the Group for the year ended 31 December 2020 amounted to approximately HK\$91.6 million, representing a decrease of approximately 7.3% over the previous year. The gross profit margin of the Group decreased from approximately 37.1% to approximately 31.8% mainly as a result of different product mix, general increase in production costs, as well as relatively more expensive cost of sales with appreciation in Chinese Renminbi ("RMB") against HK\$ for the year ended 31 December 2020.

Profit attributable to equity holders of the Company for the year ended 31 December 2020 amounted to approximately HK\$18.4 million, representing a decrease of approximately 44.3% over the previous year. Such change was mainly due to the offset effect of increased sales from existing and new customers, decreased gross profit margin and exchange loss due to RMB appreciation during the year.

### Liquidity and Financial Resources

The Group practiced prudent financial management and maintained a healthy financial position during the year ended 31 December 2020. The Group finances its daily operations through a combination of net funds generated and received from operations and net proceeds from the share offer. As of 31 December 2020, the Group had cash and cash equivalents of approximately HK\$119.0 million (2019: approximately HK\$114.2 million). The increase in cash and cash equivalents was mainly attributable to net cash inflow from our operating activities.

The current ratio, calculated as the total current assets divided by total current liabilities, was approximately 3.5 times as at 31 December 2020 (2019: approximately 4.7 times). As at 31 December 2020, the Group did not have any outstanding borrowing and other indebtedness and no gearing ratio is presented.



## Management Discussion and Analysis (Continued)

### Administrative Expenses

The administrative expenses of the Group increased by approximately HK\$7.0 million or approximately 17.5% from approximately HK\$40.2 million for the year ended 31 December 2019 to approximately HK\$47.3 million for the year ended 31 December 2020. The increase was mainly attributable to the increase in staff costs with more headcount, general salary increment and increased discretionary bonus for the staff who helped the Group achieving a steady sales growth under this challenging year.

### Selling Expenses

The selling expenses of the Group decreased by approximately HK\$6.0 million or approximately 20.3% from approximately HK\$29.6 million for the year ended 31 December 2019 to approximately HK\$23.6 million for the year ended 31 December 2020. The decrease was mainly due to the offset effect of increased shipping cost per unit product, and the shorter average destination under different mix of shipping terms for our customers this year.

### Foreign Exchange Exposure

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk, primarily with respect to US\$ and RMB denominated transactions arising from the sales of beauty products and bags to customers in the US and purchases from suppliers in the PRC. The Directors are of the opinion that the foreign exchange risk arising from US\$ against RMB of the Group is insignificant and manageable.

During the year ended 31 December 2020, the Group has not entered into any agreement or commit to any financial instruments to hedge our exchange rate exposure relating to RMB and will continue to monitor its foreign exchange exposure. The Group will consider hedging significant foreign currency exposure should the need arises and no derivative financial instruments were held by the Group as at 31 December 2020 for speculative and investment purposes.

### Contingent Liabilities and Capital Commitments

As at 31 December 2020, the Group did not have any material contingent liabilities (31 December 2019: Nil). The Group had capital commitment of approximately HK\$2.7 million in relation to expenditure on our factory expansion (31 December 2019: approximately HK\$6.7 million) and there was no operating leases (31 December 2019: Nil) as at 31 December 2020.

## Management Discussion and Analysis (Continued)

### Pledge of Assets

The Group did not have pledged assets as at 31 December 2020 (31 December 2019: Nil).

### Capital Structure

During the year ended 31 December 2020, there has been no change to the shares in issue and capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserves. The Group finances its operations, working capital, capital expenditures and other liquidity requirements through a combination of funds generated from operations and net proceeds from the share offer.

### Future Plans for Material Investment and Capital Assets

The Group did not have any other plans for material investment and capital assets as at 31 December 2020 save for the factory expansion plan, details of which are set out in the prospectus of the Company dated 13 October 2017 (the “Prospectus”).

### Significant Investments Held

As at 31 December 2020, the Group did not have any significant investment in equity interest in any other company and did not own any properties (31 December 2019: Nil).

### Securities Investments

In addition, the Group did not have any securities investment in any investee company with a value of 5% or more of the total assets of the Group as at 31 December 2020, which is required to be disclosed under Rule 18.41(4A) of the GEM Listing Rules.

### Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

## Management Discussion and Analysis (Continued)

### Guarantee Performance in relation to the Acquisitions

The Group did not enter into any acquisition, which is required to be disclosed under the GEM Listing Rules, that the party in contract required to commit or guarantee on the financial performance in any kinds for the year ended 31 December 2020.

### Employees and Remuneration Policies

As at 31 December 2020, the Group had 173 full-time employees in Hong Kong and the PRC (31 December 2019: 160 employees), including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$31.4 million for the year ended 31 December 2020 as compared to approximately HK\$20.6 million for the year ended 31 December 2019. Such increase was mainly due to increase in headcount, general salary increment and increased discretionary staff bonus for achieving a promising sales performance under the economic downturn this year.

Remuneration is determined with reference to duties, responsibilities, experience and skills. On top of basic salaries, the Group provides discretionary bonuses to our senior management and key employees as incentive bonuses.

### Use of Listing Proceeds

The shares of the Company were listed on GEM of the Stock Exchange on 27 October 2017 (the "Listing Date") for which the Company issued 100,000,000 new shares at HK\$0.69 per share. The net listing proceeds received by the Company, after deducting underwriting fees and other related expenses, were approximately HK\$42.1 million. These proceeds are intended to be applied in the manner as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The future plan and scheduled use of proceeds as disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied with consideration of the actual development of business and market. As of 31 December 2020, the Group did not anticipate any change to the plan as to the use of listing proceeds. The majority of the unused net proceeds have been placed as interest bearing short-term demand deposits with a licensed bank in Hong Kong.

## Management Discussion and Analysis (Continued)

As at 31 December 2020, the net listing proceeds has been applied and utilized as follows:

Use of net proceeds	Total net proceeds from share offer (HK\$'000)	Total remaining net proceeds available as at 1 January 2020 (HK\$'000)	Planned	Utilized for	Total remaining
			use of net proceeds for the year ended 31 December 2020 (HK\$'000)	the year ended 31 December 2020 (HK\$'000)	net proceeds available as at 31 December 2020 (HK\$'000)
Upgrade production hardware, and facilities and infrastructure	23,670	–	–	–	–
Expand the Hong Kong headquarters	11,245	6,306	–	2,806	3,500
Participate in local and global exhibitions	3,538	–	–	–	–
General working capital	3,665	–	–	–	–
<b>Total</b>	<b>42,118</b>	<b>6,306</b>	<b>–</b>	<b>2,806</b>	<b>3,500</b>

As at 31 December 2020, the unutilized net listing proceeds for the expansion of the Hong Kong headquarters is about HK\$3.5 million. Due to the social incident, COVID-19 pandemic and the global economic downturn which is expected to last for years, the Group decided to take a prudent approach in expanding its business operation and development in Hong Kong, and would consider to change part of the unutilized net listing proceeds to working capital for its daily business operation and part of it for investing or depositing to licensed banks in Hong Kong for a high yield return.

The Board will consider all feasibility for the use of unutilized net listing proceeds to enhance shareholders' value for the best of the Group as a whole. Further announcement in respect of the use of proceeds or change of use of proceeds will be made by the Company in compliance with the requirements of the GEM Listing Rules as and when appropriate, should there be any development or conclusion made by the Board.

Subject to the business development and operation needs of the Group and assume that there will be no change in use of net proceeds of the Group, the Board re-assessed that the remaining proceeds from the share offer is expected to be fully utilised in next 18 months.

### Change in Auditors

There was no change in auditors of the Company in any of the preceding 3 years.

### Significant Event after the Reporting Period

Save as disclosed above and up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 December 2020.

# Biographical Details of the Directors of the Company and Senior Management

## Executive Directors

**Mr. Or Naam**, aged 52, is one of the founders of our Group and has been with our Group since 1995. He was appointed as a Director on 8 February 2018 and re-designated as an executive Director and chief executive officer of our Company on 27 February 2018. Mr. Or is also a member of remuneration committee of the Company.

Mr. Or Naam is currently a director of Takbo Limited (“Takbo”) and a director of B&B (H.K.) Limited (“B&B”), where he oversees all aspects of the operations of our Group including sales and marketing, product development, merchandising, production, design, research, strategic planning, formulation of corporate policies and new business initiatives. His key focus is to further establish and manage our Group’s overseas customers.

Mr. Or Naam is an entrepreneur. Over the past 26 years, he has gained start-up and operational experience in manufacturing and sales of packaging products (including beauty bags) and beauty products. In 1995, he joined our Group to design, develop and sell packaging products. Capitalising on our Group’s experience in selling packaging products including seasonal and promotional beauty products gift packages, Mr. Or Naam further expanded our Group’s business by providing “one-stop-service” to its customers, and our Group commenced the manufacturing of beauty products, from design, research, development and sourcing, to complement the packaging products for export to the U.S. and other markets.

Mr. Or Naam completed the AFS Year Programme, an intercultural, international, voluntary and non-governmental exchange programme which aims to provide local youth with complete and in-depth international cultural exchange opportunities, and to promote exchanges and learning regarding language, academic study, daily life and culture, to enhance their quality as global citizens (“AFS Programme”), at Daws Road High School (now known as Pasadena High School) in Australia for the 1988 to 1989 academic year. Mr. Or Naam was also the board member of AFS Intercultural Exchanges Ltd. from September 2003 to December 2015.

Mr. Or Naam is the spouse of Ms. Chan Hoi Yan Polly (an executive director), son of Ms. Chu Siu Fong (controlling shareholder), brother of Mr. Or Huen (an executive director) and brother-in-law of Ms. Chan Hoi Man (“Ms. HM Chan”), a merchandising manager of the Group.

**Ms. Chan Hoi Yan, Polly**, aged 49, has been with our Group since 1995. She was appointed as an executive Director on 27 February 2018. Ms. Chan is currently the general manager of Takbo and a director of B&B, where she oversees all day-to-day aspects of our operations in Hong Kong including sales and marketing, business development, merchandising, design and finance.

Ms. Chan is an entrepreneur. Over the past 26 years, she has gained experience in manufacturing and sales of packaging products (including beauty bags) and beauty products. She joined our Group in 1995 and rose through the ranks over the next 11 years to become general manager of Takbo in 2006.

Ms. Chan completed the AFS Programme at the King Edward VI School, Suffolk, in the United Kingdom, for the 1989 to 1990 academic year and obtained a Diploma in Design from the Hong Kong Polytechnic University in October 1992. Ms. Chan is the spouse of Mr. Or Naam (an executive director), sister-in-law of Mr. Or Huen (an executive director), daughter-in-law of Ms. Chu Siu Fong (controlling shareholder) and sister of Ms. HM Chan (a merchandising manager).

## Biographical Details of the Directors of the Company and Senior Management (Continued)

**Mr. Or Huen**, aged 44, has been with our Group since 2002. He was appointed as an executive Director on 27 February 2018. Mr. Or is also a member of nomination committee of the Company.

Mr. Or Huen is currently the general manager and director of Cosbe, where he oversees all day-to-day aspects of our operations in the PRC including sales and marketing, product research and development, merchandising and production, quality control, strategic planning and new business initiatives.

Mr. Or Huen is an entrepreneur. He has over 18 years of experience in manufacturing and sales of beauty products. Mr. Or Huen was a founding member of Cosbe and has been the general manager since its founding in 2002. At Cosbe Mr. Or Huen planned and built Cosbe's production facility. He established the key business divisions, the four pillars of Cosbe, namely the marketing centre, the development centre, the production centre and the quality control centre.

Mr. Or Huen completed the AFS Programme at Bear River High School in the U.S. for the 1993 to 1994 academic year. Mr. Or Huen obtained a Bachelor of Science Degree in Molecular Biotechnology (Major) and Fine Art (Minor) from the Chinese University of Hong Kong in November 2001. Mr. Or Huen is the brother of Mr. Or Naam (an executive director), son of Ms. Chu Siu Fong (controlling shareholder) and brother-in-law of Ms. Chan (an executive director).

### Independent Non-executive Directors

**Mr. Tan Chong Huat**, aged 57, was appointed as an independent non-executive Director and the non-executive Chairman of the Company on 29 September 2017. He is the chairman of the remuneration committee and a member of audit committee of the Company.

Tan Chong Huat is the Senior Partner and one of the founding members of RHTLaw Asia LLP, a leading full services legal practice with an Asia Pacific presence. Chong Huat is the Non-Executive Chairman of RHT Group of Companies which is involved in the sectors such as Fintech & Financial Services, Training, Learning & Development, Consulting & Advisory and Wealth & Asset Management. Chong Huat is also the chairman of China ASEAN Business Alliance, a regionally focused think tank and business network.

His experience and track record, set out below, as a leading finance and corporate lawyer, successful entrepreneur and investor, reputable corporate leader and public service champion, and dedicated law professor coupled with his strong practical and academic grounding throughout his career has made Chong Huat the trusted go-to expert for regulatory issues, complex financing (corporate finance and project finance) transactions, deals structuring, funding and matching, corporate governance and board matters, and reputational management matters for corporate leaders and major corporates in the region and internationally.

Chong Huat is currently the deputy chairman of the SGX disciplinary committee and a member of the Appeals Committee of SGX. He was a member of the first corporate governance council set up by the Monetary Authority of Singapore. Chong Huat was involved in the regulatory applications, formation and operational set up of numerous leading financial institutions including the Investment Company of the People's Republic of China, a subsidiary of the People's Bank of China.

## Biographical Details of the Directors of the Company and Senior Management (Continued)

Chong Huat has extensive experience in corporate, banking and project finance law in Singapore and the region, and acted in numerous significant corporate transactions in the areas of IPOs, RTOs, MBOs, restructuring, M&As, and financing of major real estate and infrastructure in Asia. He has been named frequently a leading practitioner in many reputable professional publications, including IFLR1000 and Legal 500 Asia Pacific.

Chong Huat has been helping business owners and family businesses throughout his successful career. He has advised Asian and European high net worth clients in their M&A, listing, divestment, business succession planning, probate, wealth and asset preservation and protection, and family governance. As a trusted go-to adviser, Chong Huat has been appointed as administrator and trustee for the estate of his high net worth clients, as well as counsel in estate disputes involving families of leading Asian conglomerates.

Chong Huat is a Fellow with the Singapore Institute of Director and Hong Kong Institute of Directors. He has been appointed on the boards as non-executive chairman, and independent director of listed companies in Singapore and Hong Kong. He also co-founded RHT group of companies which is a leading professional services group in Asia. The Financial Planning Association of Singapore has also conferred on Chong Huat an honorary membership. Over the years he has successfully invested in start-ups, SMEs and listed companies. Notably, he is knowledgeable and passionate in blockchain, distributed ledger and related technologies, and cryptocurrencies having invested into 2 exchanges which apply the DLT technology. Chong Huat was recently appointed as a mentor for the 10th Lee Kuan Yew Global Business Plan Competition.

Chong Huat is also active in public service and charity work. He is chairman of RHT Rajan Menon Foundation which serves causes such as Arts, Disadvantaged Groups, Education and Sustainability. He is a member of the executive board of the Singapore Golf Association. He is also a member of the International Affairs Committee of Singapore Chinese Chamber of Commerce & Industry. He also sits as a Lay Person on the Institute of Singapore Chartered Accountants' Investigation and Disciplinary Panel. Chong Huat is a member of the Selection Panel of SIM University Law School. He has also established a National University of Singapore Grant in favour of the Law Faculty under the name of his deceased father. An award named RHT Tan Chong Huat Corporate Crime Award has also been established by the School of Law, Singapore Management University.

Chong Huat taught at the Law Faculty, National University of Singapore (AY 2007–2013), Business School, National University of Singapore (AY 2008/2009), Nanyang Business School, Nanyang Technological University (AY 2008–2012) and various other universities in Asia. Besides authoring two leading literature on PRC Investment laws, he has co-authored leading titles on Corporate Governance, and Corporate Finance Law.

**Mr. Sung Chi Keung**, aged 45, was appointed as an independent non-executive Director on 29 September 2017. He is the chairman of the audit committee and a member for each of the remuneration committee and nomination committee of the Company.

Mr. Sung has over 21 years of experience in financial management, accounting, taxation, auditing and corporate finance and previously worked for KPMG, PricewaterhouseCoopers Ltd. and Deloitte & Touche Corporate Finance Ltd. From December 2019, he has been the chief financial officer of Vershold Global Limited. From April 2015 to October 2019, he was the chief financial officer of China Chuanglian Education Financial Group Limited ("China Chuanglian") (formerly known as China Chuanglian Education Group Limited, China Oriental Culture Group Limited and ZZNode Technologies Company Limited), a company listed on the main board of the Hong Kong Stock Exchange (stock code: 2371).



## Biographical Details of the Directors of the Company and Senior Management (Continued)

From September 2018 to October 2019, Mr. Sung was appointed as a director of Premier Management Limited, which is a corporation licensed under the Securities and Futures Ordinance and an indirectly wholly owned subsidiary of China Chuanglian.

Previously, between 15 January 2007 and 30 June 2013, Mr. Sung was an executive director of Asian Citrus Holdings Limited, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 73) (and formerly listed on the AIM of the London Stock Exchange (stock code: ACHL)). He was also the finance director and the company secretary between August 2004 and June 2013. Between August 2013 and March 2015, Mr. Sung was the chief financial officer and company secretary of China Green (Holdings) Limited (formerly known as China Culiangwang Beverages Holdings Limited), a company listed on the main board of the Hong Kong Stock Exchange (stock code: 904).

Mr. Sung obtained a Bachelor Degree in Business Administration, majoring in Professional Accountancy from the Chinese University of Hong Kong in December 1997 and a Master Degree in Corporate Finance from the Hong Kong Polytechnic University in December 2006. He is a fellow member of the HKICPA and a fellow member of the Association of Chartered Certified Accountants.

**Mr. Hui Ha Lam**, aged 47, was appointed as an independent non-executive Director on 1 July 2020. He is the chairman of nomination committee and the member of the audit committee of the Company.

Mr. Hui is the founder of Semk Products Limited (森科產品有限公司). He is primarily responsible for the overall strategic planning, and business development of this company. Mr. Hui has over 19 years of experience in design, marketing, licensing and branding industries. Prior to founding of Semk Products Limited in late 2001, Mr. Hui worked as designer for Tint Concepts Limited and was responsible for both commercial and residential design projects from March 1998 to June 1999. From October 2000 to October 2001, Mr. Hui worked as a product designer for Kafutoy Industrial Co., Ltd and was responsible for the design and manufacturing of gifts and premium products to overseas markets. From 2014 to present, Mr. Hui has been appointed as the vice chairman of Asia Branding and Franchising Association. Since 2018, Mr. Hui has also been a member of the executive committee of Group 19 (Hong Kong Toys Council) of the Federation of Hong Kong Industries. From 2019 to present, Mr. Hui has been appointed as a director of Hong Kong Design Centre. From 2012 to 2016, Mr. Hui was a committee member of the Toy Advisory Committee of Hong Kong Trade Development Council, and was a committee member of the Design, Marketing & Licensing Services Advisory Committee of the Hong Kong Trade Development Council from 2014 to 2018. From 2018 to 2020, Mr. Hui was appointed as a director to the 51st Term to 53rd Term Board of Directors of Yan Chai Hospital, a committee member of the Hong Kong Young Industrialist Council (Design and Technology Committee Member) and the Hong Kong Designers Association. Mr. Hui was also a member of the executive committee of Group 30 (Innovation and Creative Industries Council) of the Federation of Hong Kong Industries in 2019 and the Committee Member of Advisory Committee of Licensing International Greater China in 2020. Mr. Hui obtained a Bachelor of Arts degree majoring in Fine Arts from the Chinese University of Hong Kong in December 1997 and a master of arts in three dimensional design from the Kent Institute of Art & Design in September 2000.

## Biographical Details of the Directors of the Company and Senior Management (Continued)

### Senior Management

**Ms. Lui Shuet Ching**, aged 51, is the accounting and finance manager of our Group. Ms. Lui joined our Group in September 1995 as a clerk of the account department and was promoted to her current position in April 2001. She is primarily responsible for supervising accounting operations, preparing accounting report, reviewing management report and monitoring cash flow status. Ms. Lui possesses over 24 years of experience in accounting and finance.

Ms. Lui passed the examinations held by the London Chamber of Commerce and Industry Examination Board in book-keeping and accounts (second level), cost accounting (second level) and accounting (third level) in 1989, 1993 and 1994, respectively. She also obtained a diploma in accounting and management in February 2006 from the Caritas Bianchi College of Careers (Evening) in Hong Kong and a diploma in business strategy and tactics in July 2008 from the Vocational Training Council in Hong Kong.

**Ms. Chan Hoi Man (“Ms. HM Chan”)**, aged 41, is the merchandising manager of our Group. Ms. HM Chan joined our Group in May 1997 as a merchandiser and was promoted to her current position in February 2016. She is primarily responsible for leading and managing the operations of the merchandising team in the PRC, approving purchase orders of raw material for production, liaising with customers and providing price quotation. Ms. HM Chan has approximately 23 years of experience in the manufacturing industry. Ms. HM Chan is the sister of Ms. Chan.

**Ms. Chu Choi Yin (“Ms. CY Chu”)**, aged 39, is the sales manager of our Group. Ms. CY Chu joined our Group in October 2005 as a sales executive and was promoted to her current position in April 2013. She is responsible for product development and customer service, as well as leading the sales team in the PRC to monitor the progress of projects. Ms. CY Chu has over 14 years of experience in the sales and marketing industry. Prior to joining our Group, Ms. CY Chu was a merchandiser at Ellon Gift Products Ltd. from August 2001 to June 2003.

**Mr. Ng Chit Sing (“Mr. Ng”)** was appointed as our company secretary in February 2017. He is the chief executive officer of IN Corporate Services Limited specialising in the provision of corporate secretarial services to listed issuers and private companies.

Mr. Ng is currently acting as named company secretary/joint company secretary of certain companies listed on the Main Board or GEM of the Stock Exchange of Hong Kong Limited. Mr. Ng was admitted as an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in England in July 2000. Mr. Ng received a Bachelor’s Degree in Social Sciences in 1996 and a Bachelor’s Degree in Laws in August 2008.

# Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group (the “Consolidated Financial Statements”) for the year ended 31 December 2020 (the “Year”).

## Principal Activities and Business Review

The principal activity of the Group is (i) the design, development, manufacture and sale of beauty products; and (ii) the design, development and sale of beauty bags. Details of the principal activities of the principal subsidiaries of the Company are set out in note 14 to the Consolidated Financial Statements.

The business review of the Group for the Year together the future business development as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are set out in the section headed “Management Discussion and Analysis” on pages 5 to 10 of this annual report. This discussion form part of the report of directors.

## Environmental Policies and Performance

Discussion on the environmental policies and performance is contained in the “Environmental, Social and Governance Report” on pages 50 to 72 of this annual report. This discussion form part of the report of directors.

## Compliance with Laws and Regulations

Sufficient resources and training have been allocated and provided to ensure the on-going compliance with applicable laws and regulations. During the Year, the Board is not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group’s business where the Group is operating.

## Relationship with Key Parties

The success of the Group also depends on the support from key parties which comprise customers, suppliers, employees and shareholders.

### Customers

The Group’s principal customers mainly include retailers, beauty product brand owners and trading companies. Our sales and marketing efforts have focused on the provision of competitive prices, reliable and timely delivery, and quality products and services to them. We have established a long term relationship with our major customers and therefore focus on manufacturing and/or selling quality assured products to maintain our reputation in the industry.

We have a close working relationship with our customers throughout the sales process from the product design and development stage to production phase and product delivery. We communicate with our key customers to better understand their needs and produce products to match the desired image of their brands.

## Report of the Directors (Continued)

### Suppliers

Good relationship with suppliers constitutes one of the essential elements of the Group's success. In order to ensure the quality of supplies which would enhance consistency in our product qualities, we have a strict system for selecting our suppliers. We have adopted and implemented written guidelines and policies governing our procedures in selecting new suppliers and monitoring the on-going performance of the existing suppliers. We would also demand our chosen suppliers to comply with relevant local and industrial quality control standards and perform quality tests on the supplied materials.

### Employees

The Group focuses on the talents of our employees as our most valuable asset. We strive to create a good workplace that our employees are happy and motivated to work in. Our employees are treated fairly with respect and we reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives, namely equal promotion opportunity.

### Shareholders

The principal goal of the Group is to maximize the return to the shareholders of the Company. The Group will focus on our core business for achieving sustainable profit growth and rewarding the shareholders with dividend payouts taking into account the business development needs and financial health of the Group.

## Principal Risks and Uncertainties

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. Other than the trade tension between the US and the PRC, the Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarized below:

### COVID-19

The outbreak of COVID-19 is expected to remain for a period of time. Due to abnormal and unpredictable global environment changes under the outbreak, we face uncertainties on both our sales, raw material and labour supplies, as well as customers and suppliers management, which could in turn give us a material and adverse impact on our business performance.

### Travel restrictions

The travel restrictions around the world including US and PRC give the Group difficulties to organize face-to-face meetings with the customers and suppliers. Though we would maintain online communications, its effectiveness may be far below face-to-face meetings, and thus our overall operations would be materially and adversely affected.

### Tariff

The relationship between US and the PRC are still of high uncertainty. The timing of releasing the extra tariffs that introduced by US under the trade war in 2019 would remain uncertain. Since our key customers are from US, our sales demand as well as our overall business performance may be materially and adversely affected.

## Report of the Directors (Continued)

### Others

The sales and profitability of our products are dependent on our customers' business performance. We sell our products mainly to retailers, beauty products brand owners and trading companies. The business performance of our customers could underperform due to a number of factors, such as changes in business strategies, failure to develop successful marketing strategies, changes in the market demand for our customers' products and adverse market or economic conditions in the markets in which our customers operate, in particular, the U.S. If the business performance of our customers deteriorates, they could reduce the amount of their purchases for our products, or terminate their business relationship from us, which could have a material and adverse impact on our business, financial condition, results of operations and prospect.

Any shortage in labour, increase in labour costs, strikes, labour unrests or other adverse factors affecting our labour force and supply chain may have a material adverse effect on our business operations.

As we expand our production capabilities and capacities, we will require more production personnel. There is no assurance that we will not experience any shortage of labour for our production. Given the economic growth in the PRC, competition for labour is substantial and labour costs have been increasing generally, and we cannot assure that we can retain and attract sufficient qualified employees and/or on commercially reasonable terms in the future. If we fail to retain and attract sufficient labour, we may not be able to effectively implement our expansion plans, our business, financial conditions and results of operations would be materially and adversely affected.

The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could affect our business, financial condition and results of operations.

The Group maintains substantial amount of business assets and operations in the PRC. Accordingly, our results of operations are subject to economic, political and legal developments in the PRC. Any changes in its regulations will definitely affect our business in this regional segment.

### Results and Appropriations

The results of the Group for the Year are set out in the Consolidated Financial Statements on pages 78 to 139.

The Directors did not recommend the payment of a final dividend to shareholders of the Company for the Year (31 December 2019: Nil).

### Five Years Financial Summary

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 140. This summary does not form part of the Consolidated Financial Statements.

## Report of the Directors (Continued)

### Share Capital

As at 31 December 2020, 400,000,000 shares of the Company were in issue. Details of the movement in share capital during the Year are set out in note 23 to the Consolidated Financial Statements.

### Equity-Linked Agreements

Other than the share option scheme of the Company, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

### Pre-Emptive Rights

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

### Purchase, Sale or Redemption of the Company's Listed Securities

The Company has not redeemed any of its shares during the Year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Year.

### Distributable Reserves

As at 31 December 2020, the Company have a reserve of HK\$141.0 million available for distribution (31 December 2019: HK\$141.0 million). Details of the movement in reserve of the Company during the Year are set out in note 32 to the Consolidated Financial Statements.

### Charitable Donations

During the Year, there was charitable and other donations of approximately HK\$41,000 made by the Group (31 December 2019: Nil).

## Report of the Directors (Continued)

### Major Customers and Suppliers

The percentages of purchases and sales for the Year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	12.5%
– five largest suppliers in aggregate	27.8%
Sales	
– the largest customer	27.8%
– five largest customers in aggregate	78.8%

For the Year, one of our top five suppliers is connected person of the Company and supplied the Group with beauty bags.

Save for the purchases from the connected person, none of the Directors or their respective close associates or any of our existing shareholders, whom to the best knowledge of the Directors owns more than 5% of the Company's issued share capital, has any interest in any of the Group's five largest customers or suppliers during the Year.

For details, please refer to the paragraph headed "Continuing Connected Transactions" on pages 23 to 25 of this annual report.

### Directors and Directors' Service Contracts

The Directors of the Company who held office during the Year and up to the date of this report were:

#### Executive Directors:

Mr. Or Naam (*Chief Executive Officer*)

Ms. Chan Hoi Yan Polly

Mr. Or Huen

#### Independent Non-executive Directors:

Mr. Tan Chong Huat (*Chairman*)

Mr. Sung Chi Keung

Mr. Hui Ha Lam (*appointed on 1 July 2020*)

Mr. Wong, Irving Holmes Weng Hoong (*resigned on 1 July 2020*)



## Report of the Directors (Continued)

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing on 27 October 2017 and shall continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors (except Mr. Hui Ha Lam) has entered into a letter of appointment with the Company for a term of one year commencing on 27 October 2017 and shall continue thereafter until terminated by not less than one month's notice in writing served by either party on the other.

Mr. Hui Ha Lam has entered into a letter of appointment with the Company for a term of one year commencing on 1 July 2020 and shall continue thereafter until terminated by not less than one month's notice in writing served by either party on the other.

All Directors are subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service agreement/letter of appointment.

In accordance with the Article 83(3) of Company's Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with the Article 84(1) of Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation.

Accordingly, Mr. Or Naam, Mr. Tan Chong Huat and Mr. Hui Ha Lam shall retire from office at the forthcoming annual general meeting to be held on 10 May 2021 (Monday) (the "AGM"). All of the retired directors, being eligible, offer themselves for re-election, at the AGM.

Apart from the foregoing, no Director proposed for re-election at the AGM has a service contract/letter of appointment which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

### Confirmation on Independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

## Report of the Directors (Continued)

### Biographical Details of Directors and Senior Management

The biographical details of the Directors and senior management of the Group are disclosed in the section headed “Biographical Details of the Directors and Senior Management” on pages 11 to 15 of this annual report.

### Changes of Directors’ Information

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change of Directors’ information of the Company are as follows:

The monthly salary of Mr. Or Naam, the chief executive officer and an executive Director of the Company, increased from HK\$95,000 to HK\$175,000 since 1 January 2021.

The monthly salary of Ms. Chan Hoi Yan Polly, an executive Director of the Company, increased from HK\$85,000 to HK\$165,000 since 1 January 2021.

The monthly salary of Mr. Or Huen, an executive Director of the Company, increased from HK\$80,000 to HK\$160,000 since 1 January 2021.

Save as disclosed above, the Company is not aware of any other changes in the directors’ information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the publication of interim report for the six months ended 30 June 2020 of the Company.

### Permitted Indemnity Provisions

Pursuant to Article 164 of the Articles of Association of the Company, the Directors, secretary and other officers and every auditor for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Such provision was in force during the Year. In addition, the Company has also maintained Directors’ and officers’ liability insurance during the Year, which provides appropriate cover for the directors and officers of the Group.

### Directors’ Emoluments and Five Highest Paid Individuals

The Directors’ emoluments are subject to shareholders’ approval at annual general meeting. Other emoluments are determined by the Board of the Company with reference to the recommendations by remuneration committee of the Company, directors’ duties, responsibilities and performance and the results of the Group.

Details of the Directors’ emoluments and five highest paid individuals are set out in note 10 to the Consolidated Financial Statements of the annual report.

## Report of the Directors (Continued)

### Emolument Policy

A remuneration committee was set up by the Board to develop the Group's emolument policy and structure for remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

### Directors' Material Interests in Transactions, Arrangements and Contracts that are Significant in Relation to the Company's Business

During the Year, the Group entered into certain related party transactions including continuing connected transactions, which are disclosed in note 31 to the Consolidated Financial Statements and under headed "Continuing Connected Transactions" below. Such transactions were conducted in the normal course of business and have been disclosed pursuant to the GEM Listing Rules for compliance purposes, if required.

Save as disclosed and the service contract/letter of appointment with the Directors, no other transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the Year or at any time during the Year.

### Continuing Connected Transactions

The following table summarized the continuing connected transactions of the Company during the Year:

Agreement	Parties	Term	Location	Annual cap	Actual
				for the	amount
				year ended	paid for the
				31 December	year ended
				2020	2020
				(HK\$'000)	(HK\$'000)
Hong Kong Office Tenancy Agreement 1	Takbo (as tenant) and Sky Choice* (as landlord)	3 years from 1 February 2018	C2, 35th Floor, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong	202	201
Hong Kong Office Tenancy Agreement 2	Takbo (as tenant) and Sky Choice* (as landlord)	3 years from 27 October 2017 and for the period from 27 October 2020 to 31 December 2020 upon renewal of the agreement	Room B, 35th Floor, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong ("EGL Tower") and car parking space nos. P24, P25 and P26 located on 2nd Floor, EGL Tower	891	877

## Report of the Directors (Continued)

Agreement	Parties	Term	Location	Annual cap	Actual
				for the	amount
				year ended	paid for the
				31 December	year ended
				2020	31 December
				(HK\$'000)	2020
					(HK\$'000)
Residential Tenancy Agreement	Takbo (as tenant) and Smart Path* (as landlord)	3 years from 27 October 2017 and for the period from 27 October 2020 to 31 December 2020 upon renewal of the agreement	House 62, The Giverny, Man Kei Toi, Pak Sha Wan, Sai Kung, New Territories, Hong Kong	1,000	1,000
Factory Tenancy Agreement 1	Cosbe (as tenant) and Baoma* (as landlord)	10 years from 27 October 2017	Factory, warehouse and office premise at No. 5 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC	3,900 for Factory Tenancy Agreements 1 to 4	3,618
Factory Tenancy Agreement 2	Cosbe (as tenant) and Baoma (as landlord)	10 years from 27 October 2017	Factory premise at No. 5 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC		
Factory Tenancy Agreement 3	Cosbe (as tenant) and Baoma (as landlord)	10 years from 27 October 2017	1st to 4th Floors of South Building, No.1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC		

## Report of the Directors (Continued)

Agreement	Parties	Term	Location	Annual cap	Actual
				for the	amount
				year ended	paid for the
				31 December	year ended
				2020	31 December
				(HK\$'000)	2020
					(HK\$'000)
Factory Tenancy Agreement 4	Cosbe (as tenant) and Baoma (as landlord)	10 years from 27 October 2017	1st to 4th Floors of North Building and West Building, No.1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC		
PRC Office Tenancy Agreement 1	Takbo (as tenant) and Baoma (as landlord)	3 years from 27 October 2017 and for the period from 27 October 2020 to 31 December 2020 upon renewal of the agreement	Factory premise situated at 2nd Floor of Block C, No.1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC	45	40
PRC Office Tenancy Agreement 2	Baoma (as landlord) and Takbo (as tenant)	2 years from 1 January 2019	1st level of 2nd Floor of Block C, No. 1 Jinpu Road, Phase III, Diejin Industrial Area, Jinping District, University Road, Shantou City, Guangdong Province, PRC	43	40
Purchase Framework Agreement	Takbo and Cosbe (as purchaser) and Baoma (as supplier)	3 years from 27 October 2017	N/A	11,600	1,230

\* Both Sky Choice and Smart Path are owned as to 50% by Mr. Or Naam, an executive Director and a controlling shareholder of the Company, and both Sky Choice and Smart Path are therefore an associate of Mr. Or Naam and accordingly are connected persons of the Company. Baoma, is wholly owned by Tak Bo Hong, a partnership between Ms. Chu Siu Fong, a controlling shareholder of the Company and Mr. Or Tak Ming, the spouse of Ms. Chu Siu Fong. Therefore, Baoma is an associate of Ms. Chu Siu Fong and accordingly is connected person of the Company.

## Report of the Directors (Continued)

### Confirmation of Independent Non-executive Directors

Pursuant to Rule 20.53 of the GEM Listing Rules, the audit committee comprising 3 independent non-executive Directors, under the authority delegated by the Board, reviewed all the aforesaid continuing connected transactions. All of the independent non-executive directors confirmed that:

The continuing connected transactions were entered into in the ordinary and usual course of business of the Group, and on normal commercial terms or better and which are no less favourable than those terms available from independent third parties, and the terms of the continuing connected transactions under the respective agreements are fair and reasonable and in the interest of the Company and the shareholders as a whole.

During the Year, the actual amounts of all the continuing connected transactions paid under the agreements did not exceed the respective aggregate annual cap as previously disclosed in the Prospectus and the respective announcements of the Company.

### Confirmation of Auditor of the Company

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The external auditor issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditors' letter has been provided to the Stock Exchange in accordance with the requirements of the GEM Listing Rules.

### Non-competition Undertaking

Classic Charm Investments Limited, Mr. Or Naam, Ms. Polly Chan and Ms. Chu Siu Fong (the "Controlling Shareholders") gave a non-competition undertaking in favour of the Company, pursuant to which the Controlling Shareholders undertake and covenant with the Company that they shall not, and shall procure any Covenantor and my/our close associates (each a "Controlled Person" and collectively, the "Controlled Persons") and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-Competition, shall not include any member of our Group) (the "Controlled Company") not to, except through any member of our Group, directly or indirectly (whether as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on or contemplated to be carried on by any member of our Group from time to time or in which any member of our Group is engaged or has invested or is otherwise involved in or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) in any territory that our Group carries on its business from time to time.

The Company has received the confirmation from the Controlling Shareholders in respect of their compliance with the terms of non-competition undertaking for the Year.

## Report of the Directors (Continued)

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms for the Year. Furthermore, there was no new business opportunities referred by the Controlling Shareholders to the Company during the Year.

### Related Parties Transactions

Details of the related parties transactions undertaken in the normal course of business are set out in note 31 to the Consolidated Financial Statements. Certain of which also constitute discloseable connected transactions under the GEM Listing Rules. These connected transactions have complied with the requirements under Chapter 20 of the GEM Listing Rules.

### Conflict of Interests

Saved as disclosed above, during the Year, none of the directors, the substantial shareholders or the management shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

### Share Option Scheme

The Company has conditionally adopted the share option scheme (“Share Option Scheme”), which was approved by written resolutions passed by its sole Shareholder on 29 September 2017 and became unconditional on 27 October 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. As of the date of this annual report, there is only one share option scheme.

The purpose of the Share Option Scheme is to advance the interests of the Company and the shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons, namely directors, employees, consultants, advisers, any provider of goods and/or services to the Group; any customer of the Group and any person, who at the sole discretion of the Board, has contributed to the Group, and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons’ contribution to further advance the interests of the Group.

Pursuant to the Share Option Scheme, the Company may grant options to eligible persons to subscribe shares of the Company until any inside information has been announced, if any.

An offer shall remain open for acceptance by the Eligible Person concerned for such period as determined by the Board, being a date not later than ten Business Days after the offer date by which the Eligible Person must accept the offer or be deemed to have declined it, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of adoption of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme. The amount payable by the grantee to our Company on acceptance of the offer shall be a nominal amount to be determined by the Board.



## Report of the Directors (Continued)

Unless the Company obtains a fresh approval from the shareholders pursuant to the conditions set out in the Share Option Scheme, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes shall not in aggregate exceed 10% of the total number of shares in issue from time to time. As at the date of this annual report, the number of issued Shares of the Company is 400,000,000 Shares and total number of shares issued or to be issued under the Share Option Scheme of the Company is 40,000,000 Shares which represented approximately 10% (2019: 10%) of the issued share capital of the Company, if all the options under the Share Option Scheme have been granted to and duly exercised by eligible persons.

The total number of shares issued and to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of the Company. Where any further grant of options to an eligible person would result in excess of such limit shall be subject to the approval of the shareholders at general meeting with such eligible person and his close associates (or his associates if the eligible person is a connected person) abstaining from voting.

Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of our Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such grant of options must be subject to the approval of the Shareholders at general meeting. The grantee involved in such proposed grant of options, his associates and all core connected persons of our Company must abstain from voting in such general meeting (except that any such persons may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the Shareholders).

The Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption to 28 September 2027, after which period no further options will be granted or offered.

The share options are exercisable at any time during period of not more than 10 years from the date of grant, subject to the terms and conditions of the Share Option Scheme, or any conditions stipulated by the Board of Directors.

The exercise price of the share option will be not less than the highest of:

- (a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date;
- (b) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (c) the nominal value of a Share on the offer date.

As at 31 December 2020, there was no option outstanding, granted, cancelled, exercised or lapsed.

## Report of the Directors (Continued)

Details of the principal terms of the Share Option Scheme are set out in paragraph headed “13. Share Option Scheme” in section headed “Statutory and General Information” in Appendix IV to the Prospectus of the Company.

Apart from the aforesaid Share Option Schemes, at no time during the year ended 31 December 2020 was the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

### Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2020, the interests or short positions of Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### (I) Long Position in the Ordinary Shares and Underlying Shares of the Company

##### (i) Interests in the Company

###### *Interests in ordinary shares*

Name of director	Personal interests	Family interests	Corporate interests	Total	Total	Aggregate interests	% of the
				interests in ordinary shares	interests in underlying shares		Company's issued voting shares
Mr. Or Naam <sup>Note</sup>	–	–	300,000,000	300,000,000	–	300,000,000	75%
Ms. Chan Hoi Yan Polly <sup>Note</sup>	–	–	300,000,000	300,000,000	–	300,000,000	75%

*Note:* The 300,000,000 shares are beneficially held by Classic Charm Investments Limited, which is legally and beneficially owned as to 50.8% by Mr. Or Naam, as to 39.7% by Ms. Chu Siu Fong and 9.5% by Ms. Chan Hoi Yan Polly. As Mr. Or Naam, Ms. Chu Siu Fong and Ms. Chan Hoi Yan Polly are parties acting in concert, they are deemed to be interested in 300,000,000 Shares held by Classic Charm Investments Limited by virtue of the SFO.

## Report of the Directors (Continued)

Save as disclosed above, as at 31 December 2020, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by Directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

### Substantial Shareholder's Interests and/or Short Position in Shares and Underlying Shares of the Company

As at 31 December 2020, the following persons/entities (not being Directors or chief executive of our Company) have an interest or a short position in the Shares or the underlying Shares which were disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, were as follows:

#### Long position in the ordinary shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares held	% of the Company's issued voting shares
Classic Charm Investments Limited	Beneficial owner	300,000,000	75%
Ms. Chu Siu Fong <sup>Note</sup>	Interest in controlled corporation	300,000,000	75%

*Note:* The 300,000,000 shares are beneficially held by Classic Charm Investments Limited, which is legally and beneficially owned as to 50.8% by Mr. Or Naam, as to 39.7% by Ms. Chu Siu Fong and 9.5% by Ms. Chan Hoi Yan Polly. As Mr. Or Naam, Ms. Chu Siu Fong and Ms. Chan Hoi Yan Polly are parties acting in concert, they are deemed to be interested in 300,000,000 Shares held by Classic Charm Investments Limited by virtue of the SFO.

Save as disclosed above, as at 31 December 2020, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Report of the Directors (Continued)

### Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the latest practicable date prior to the issue of this report, the Company has maintained the prescribed public float under the GEM Listing Rules of at least 25% of the Company's total number of issued shares which was held by the public.

### Corporate Governance Report

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 32 to 49 in this annual report.

### Annual General Meeting ("AGM")

The AGM of the Company will be held on 10 May 2021 (Monday) and the notice convening such meeting will be published and despatched to the shareholders of the Company in due course.

### Closure of the Register of Members

The Register of Members of the Company will be closed from 5 May 2021 (Wednesday) to 10 May 2021 (Monday) (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM of the Company, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 4 May 2021 (Tuesday).

### Auditor

The Consolidated Financial Statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment. A resolution to re-appoint the retiring auditors is to be proposed at the AGM.

By order of the Board

**Takbo Group Holdings Limited**

**Or Naam**

*Chief Executive Officer and Executive Director*

Hong Kong, 19 March 2021

# Corporate Governance Report

## Corporate Governance Principles and Practices

The Board and the management of the Company are committed to a high standard of corporate governance. The Company considers such commitment is essential for the effective management. The Company's corporate governance practices are based on the principles and code provisions as set out in the corporate governance codes (the "CG Code") as contained in Appendix 15 to the GEM Listing Rules.

During the year ended 31 December 2020 (the "Year"), the Board considers that the Company has complied with all the CG Code as set out in Appendix 15 to the GEM Listing Rules, save for the following:

### Code Provisions A.6.7

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. All independent non-executive Directors, Mr. Tan Chong Huat ("Mr. Tan"), Mr. Sung Chi Keung ("Mr. Sung") and Mr. Wong, Irving Holmes Weng Hoong ("Mr. Wong"), who resigned on 1 July 2020, had not attended the annual general meeting held on 11 May 2020 ("2020 AGM"). Mr. Sung had other important prior engagement at the same time; while Mr. Tan and Mr. Wong stationed and worked in Singapore and Shanghai, respectively, they both did not attend the 2020 AGM since the implementation of the travel restriction and quarantine requirements among China, Singapore and Hong Kong resulted from the outbreak of COVID-19.

### Code Provision E.1.2

Under Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Mr. Tan, the chairman of the Board, who stationed and worked in Singapore, did not attend the 2020 AGM due to the implementation of the travel restriction and quarantine requirements between Singapore and Hong Kong resulted from the outbreak of COVID-19.

Details of compliance of the CG Code during the Year are explained in this corporate governance report.

## Code of Conduct for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the directors, its employees, and the directors and employees of its subsidiaries and holding companies (the "Relevant Employees"), who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors and the Relevant Employees, they all confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the Year.

# Corporate Governance Report (Continued)

## The Board of Directors

### Responsibilities

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are reviewed by the Board periodically.

### Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

Throughout the Year, the Board comprises six Directors. As at 31 December 2020 and up to the date of this annual report, there are three executive Directors and three independent non-executive Directors of the Company. The composition of the Board is as follows:

#### Executive Directors:

Mr. Or Naam (*Chief Executive Officer*)  
Ms. Chan Hoi Yan Polly  
Mr. Or Huen

#### Independent Non-executive Directors:

Mr. Tan Chong Huat (*Chairman*)  
Mr. Sung Chi Keung  
Mr. Hui Ha Lam (*appointed on 1 July 2020*)  
Mr. Wong, Irving Holmes Weng Hoong (*resigned on 1 July 2020*)

During the Year, Mr. Hui Ha Lam was appointed as an independent non-executive Director on 1 July 2020 to replace Mr. Wong, Irving Holmes Weng Hoong. Save as above, there was no change in the composition of the Board.

The relationship among members of the Board and biographical details and responsibilities of the Directors as well as the senior management are set out in the section "Biographical Details of the Directors and Senior Management" on pages 11 to 15. The updated list of Directors and their role and function are published at the GEM website and the Company's website at [www.takbogroup.com](http://www.takbogroup.com).

Save as disclosed in the section headed "Biographical Details of the Directors and Senior Management" to this report, the Directors have no other financial, business, family or other material/relevant relationships with each other.

## Corporate Governance Report (Continued)

The Board is accountable to shareholders for the Company's performance and activities. While the Board is primarily overseeing and managing the Company's affairs, the executive Directors constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control of and delegation framework of the Company. The independent non-executive Directors contribute valuable views and proposals for the Board's deliberation and decisions.

### Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company are separated. Mr. Tan Chong Huat is the non-executive Chairman of the Board. The primary role of the Chairman is to help the Board to provide the Company with effective leadership and ensure the continuing effectiveness of the management team and the high standards of probity within the Company. Mr. Or Naam is the Chief Executive Officer of the Company. He oversees all aspects of the operations of the Group including sales and marketing, product development, merchandising, production, design, research, strategic planning, formulation of corporate policies and new business initiatives. His key focus is to further establish and manage the Group's overseas customers.

### Independent Non-executive Directors

The Company has throughout the Year met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. At all times during the Year, the independent non-executive Directors represent at least one-third of the Board pursuant to Rule 5.05A of the GEM Listing Rules.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence.

### Confirmation of Independence

Each of the independent non-executive Directors including their respective immediate family members has made an annual confirmation of independence pursuant to 5.09 of the GEM Listing Rules to the Company in respect of their independence for the Year. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the independence guidelines throughout the Year.



## Corporate Governance Report (Continued)

### Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing on 27 October 2017 and shall continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors (except Mr. Hui Ha Lam) has entered into a letter of appointment with the Company for a term of one year commencing on 27 October 2017 and shall continue thereafter until terminated by not less than one month's notice in writing served by either party on the other.

Mr. Hui Ha Lam has entered into a letter of appointment with the Company for a term of one year commencing on 1 July 2020 and shall continue thereafter until terminated by not less than one month's notice in writing served by either party on the other.

All Directors are subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service agreement/letter of appointment.

In accordance with the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Such retiring Directors shall be eligible for re-election at the annual general meeting.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

### Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

For the Year, the Company held four Board meetings and four audit committee meetings; while one meeting for each of the remuneration committee and nomination committee has also been held, and the Chairman met with all independent non-executive directors without the presence of the executive directors in compliance with the GEM Listing Rules. In addition, external auditors has met with audit committee members for discussions on the proposed audit scope and matters for the Year.

## Corporate Governance Report (Continued)

### Directors' Attendance at Board/Board Committee/General Meetings

Here below are details of all Directors' attendance at the board meeting, board committee meetings and general meeting held during the Year:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	General Annual Meeting
<b>Total number of meetings held</b>	4	4	1	1	1
<b>Number of meetings attended</b>					
<b>Executive Directors</b>					
Mr. Or Naam	4	4 <sup>(a)</sup>	1	1 <sup>(a)</sup>	1
Ms. Chan Hoi Yan Polly	4	4 <sup>(a)</sup>	1 <sup>(a)</sup>	1 <sup>(a)</sup>	1
Mr. Or Huen	2	1 <sup>(a)</sup>	N/A	1	N/A
<b>Independent Non-executive Directors</b>					
Mr. Tan Chong Huat	4	4	1	1 <sup>(a)</sup>	0
Mr. Sung Chi Keung	4	4	1	1	0
Mr. Hui Ha Lam <sup>(b)</sup> (appointed on 1 July 2020)	2	2	1 <sup>(a)</sup>	1	0
Mr. Wong, Irving Holmes Weng Hoong (resigned on 1 July 2020)	2	2	N/A	N/A	0

Note a: Attended as an invitee.

Note b: Two board meetings and audit committee meetings were held since 1 July 2020; while each of nomination committee meeting and remuneration committee meeting was held since 1 July 2020.

### Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to all directors in advance. Notices of regular meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. All Directors are consulted to include additional matters in the agenda for such meetings.

Board paper together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep them apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. Queries raised by directors shall receive a prompt and full response by the management.

At the annual general meeting, the Chairman as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting. At the 2020 AGM, Mr. Or Naam, the chief executive officer and an executive director, acted as a representative of the audit committee and nomination committee to answer questions from shareholders at the meeting.

## Corporate Governance Report (Continued)

Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

The company secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Both draft and final versions of the minutes will be sent to all Directors for their comment and records. Minutes of board and board committee meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. Upon reasonable request, the Company should provide separate independent professional advice to directors to assist them to discharge their duties in the appropriate circumstance.

### Procedure for Seeking Independent Professional Advice by Directors

The Company has agreed to provide separate independent professional advice and sufficient resources to Directors and all Board Committees to assist them to discharge their duties in compliance with the GEM Listing Rules and CG Code. The Company will develop written procedures to enable Directors and members of all Board Committees, upon reasonable request, to seek and be provided with independent professional advice in appropriate circumstances, at the Company's expense.

The Company has subscribed an insurance policy with an aim to indemnify its Directors and senior management from any losses, damages, liabilities and expenses arising from, including but not limited to, any proceedings brought against them during the performance of their duties pursuant to their respective services agreements entered into with the Company.

### Induction and Continuous Professional Trainings of Directors

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

The Directors have also been informed of the requirement under Code Provision A.6.5 of the CG Code as set out in Appendix 15 to the GEM Listing Rules regarding continuous professional development and they may join institutes and attend relevant training seminars or informative talk from time to time to enable them to better discharge their duties. The Company encourages the directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading and any industry-related matters, to develop themselves professionally, at the Company's expense.

## Corporate Governance Report (Continued)

For the Year, regulatory updates have been provided and sent to all the Directors, include:

- briefing by the external auditor on changes or amendments to accounting standards at the AC meetings; and
- update by the Company Secretary on amendments to the GEM Listing Rules, directors' duties and responsibilities as well as risk management from time to time.

The Company shall from time to time, if necessary, arrange for relevant and appropriate continuous professional training to all Directors to develop and refresh their knowledge and skills to enable them to be better discharge their duties as a Director of the Company. During the Year, the Company consider that regulatory updates provided to all the Directors could assist them to discharge their duties.

### Board Committees

The Board has established three Board committees, namely the audit committee, the remuneration committee and the nomination committee for overseeing specific aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the GEM website of the Stock Exchange, and are available to shareholders upon request.

### Audit Committee

The Company established an audit committee on 29 September 2017 with written terms of reference in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules and paragraphs C3.3 and C3.7 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The latest terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

The responsibility of the audit committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control principles and procedures, and to provide advice and comments to the Board. The members meet regularly with the external auditor and/or the Company's senior management for the review, supervision and discussion of the Company's financial reporting, risk management and internal control procedures and ensure that the board and the management have discharged their duties to have an effective risk management and internal control systems.

The composition of the audit committee during the Year and up to the date of this report is as follows:

Mr. Sung Chi Keung (*Chairman*)

Mr. Tan Chong Huat

Mr. Hui Ha Lam (*appointed on 1 July 2020*)

Mr. Wong, Irving Holmes Weng Hoong (*resigned on 1 July 2020*)

## Corporate Governance Report (Continued)

All of the members of the audit committee are independent non-executive Directors. None of them (including their immediate family members) is a former partner of the Company's existing auditing firm within 2 years immediately prior to their respective date of appointment. All of them (including their immediate family members) do not have material interest in any principal business activity of nor is or was involved in any material business dealings with the Group or with any core connected persons (as defined in the GEM Listing Rules) of the Group within one year immediately prior to their respective date of appointment.

Mr. Sung Chi Keung, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the Audit Committee.

During the Year, the audit committee held four meetings. Details of the attendance of the members of the audit committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above. The summary of work of the audit committee during the Year is as follows:

- To meet with the external auditors, review and make recommendations for the Board's approval on the financial statements, quarterly, interim and annual reports and continuing connected transactions of the Group;
- To review and approve audit fee;
- To review and assess the independence of the auditors;
- To review the terms of engagement and make recommendation to the Board for the re-appointment of auditors of the Company, subject to the Shareholders' approval at the annual general meeting;
- To review the non-competition undertaking by the controlling shareholders of the Company;
- To review the continuing connected transaction of the Company;
- To review the effectiveness of the Company's risk management and internal control systems; and
- To review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The audit committee has not taken a different view from the Board regarding the selection and re-appointment of external auditor.

### Remuneration Committee

The Company established the remuneration committee on 29 September 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. The latest terms of reference of the remuneration committee are available on the websites of the Company and the Stock Exchange.

The remuneration committee is responsible for formulating and making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy. The Board expects the remuneration committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration.

## Corporate Governance Report (Continued)

The composition of the remuneration committee during the Year and up to the date of this report is as follows:

Mr. Tan Chong Huat (*Chairman*)  
Mr. Sung Chi Keung  
Mr. Or Naam

The majority members of the remuneration committee are independent non-executive Directors. During the Year, the remuneration committee held one meeting. Details of the attendance of the members of the remuneration committee in the said meeting are set out under the sub-heading “Directors’ Attendance at Board/Board Committee/General Meetings” above. The summary of work of the remuneration committee during the Year is as follows:

- To review and recommend to the Board on the Group’s remuneration policy and strategy;
- To review and recommend to the Board on the remuneration packages of the executive Directors and senior management of the Company; and
- To review and recommend to the Board on the Directors’ fees of independent non-executive Directors.

Details of the emoluments paid to the Directors and highest paid individuals for the Year are set out in Note 10 to the Consolidated Financial Statements.

### Nomination Committee

The Company established the nomination committee on 29 September 2017 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The written terms of reference of the nomination committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the nomination committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, assessing the independence of independent non-executive Directors and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the nomination committee during the Year and up to the date of this report is as follows:

Mr. Hui Ha Lam (*Chairman*) (*appointed on 1 July 2020*)  
Mr. Sung Chi Keung  
Mr. Or Huen  
Mr. Wong, Irving Holmes Weng Hoong (*Chairman*) (*resigned on 1 July 2020*)

## Corporate Governance Report (Continued)

The majority members of the nomination committee are independent non-executive Directors. During the Year, the nomination committee held one meeting. Details of the attendance of the members of the nomination committee in the said meeting are set out under the sub-heading “Directors’ Attendance at Board/Board Committee/General Meetings” above. The summary of work of the nomination committee during the Year is as follows:

- To review the existing Board’s structure, size and composition;
- To review the board diversity policy;
- To review the nomination policy;
- To review and assess the independence of the independent non-executive Directors; and
- To make recommendations on the re-election of the retiring Directors at the 2021 AGM of the Company.

### Board Nomination Policy

The Company adopted a nomination policy on 9 November 2018 in compliance with the CG Code with effect from 1 January 2019, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors and shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors (including independent non-executive Directors) appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group’s business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

### Nomination Process

The nomination committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The nomination committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the nomination committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The nomination committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company’s business.

## Corporate Governance Report (Continued)

Upon considering a director candidate suitable for the directorship, the nomination committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment (including re-election). In the meantime, the nomination committee will provide the relevant information of the selected director candidate to the remuneration committee for consideration of the remuneration package of such selected candidate.

The nomination committee will thereafter make the recommendation to the Board in relation to the proposed appointment (including re-election); while the remuneration committee will make the recommendation to the Board on the policy and structure for the remuneration.

The Board will arrange for the selected candidate to be interviewed by the members of the Board and the Board, if necessary, with the recommendation of the nomination committee, will deliberate and decide the appointment.

### Selection Criteria

The nomination committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its Shareholders.

The process of re-electing Directors are as follows:

- The nomination committee would assess the performance of each of the Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) and in accordance with the performance criteria set by the Board and consider the current needs of the Board;
- The nomination committee would review the size and composition of the Board, including the Board's policy to ensure an appropriate mix of members with complementary skills, core competencies, and experience for the Group, and diversity of skills, gender, experience and knowledge to the Company; and
- Subject to the satisfactory assessment of nomination committee, the nomination committee would recommend the proposed re-appointment of the Director to the Board for its consideration and approval.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.



## Corporate Governance Report (Continued)

### Board Diversity Policy

The composition of the Board is reviewed on an annual basis by the nomination committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Company adopted its own board diversity policy and recognises the benefits of having diversity in the composition of the Board.

The Company noted that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, nomination committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

### Composition of the Diversified Board

As at the date of this annual report, the Board comprises six Directors, one of which is a female. The following tables further illustrate the composition and diversity of the Board in terms of gender, length of service with the Group, age, nationality, educational background and professional experience as of the date of this annual report:

Name of Director	Age Group		Ethnicity		
	40 to 49	50 to 59	Chinese	Malaysian	Singaporean
Mr. Or Naam		✓	✓		
Ms. Chan Hoi Yan Polly	✓		✓		
Mr. Or Huen	✓		✓		
Mr. Tan Chong Huat		✓			✓
Mr. Sung Chi Keung	✓		✓		
Mr. Hui Ha Lam	✓		✓		

## Corporate Governance Report (Continued)

Name of Director	Educational background				Professional experience		
	Law	Science	Accountancy	Design/ Other	Management	Accounting and finance	Law
Mr. Or Naam				✓		✓	
Ms. Chan Hoi Yan Polly				✓		✓	
Mr. Or Huen		✓				✓	
Mr. Tan Chong Huat	✓						
Mr. Sung Chi Keung				✓			✓
Mr. Hui Ha Lam				✓		✓	

The nomination committee considers the existing size and composition of the Board are adequate and diversified for effective decision-making, taking into account the nature and scope of the Group's operations. The nomination committee has monitored the implementation of the board diversity policy, and also reviewed its effectiveness and concluded that no revision to the policy is required at the last nomination committee meeting held.

### Corporate Governance Function

During the Year, the Board has reviewed the corporate governance practices of the Company with reference to the CG Code as set out in Appendix 15 to the GEM Listing Rules. The summary of their work of is as follows:

- To review the Company's policies and practices on corporate governance and make recommendations;
- To review and monitor the training and continuous professional development of Directors and senior management of the Group;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual applicable to employees of the Group and the Directors; and
- To review the Company's compliance with CG Code and disclosure in the corporate governance report.

### Accountability and Audit

#### Financial Reporting

The Board is responsible for presenting a balanced, clear and understandable assessment of financial reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The Board acknowledges its responsibility for the preparation of the Consolidated Financial Statements for the Year which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the GEM Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

## Corporate Governance Report (Continued)

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditors about their reporting responsibilities is set out in the "Independent Auditors' Report" on pages 73 to 77 of the Consolidated Financial Statements.

### Risk Management and Internal Control Systems

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing its effectiveness annually, while the management are responsible for implementing and maintaining the internal controls systems that covers governance, compliance (including handling and dissemination of inside information), risk management, financial and operational controls to safeguard the Group's assets and stakeholders' interests. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Procedures are in place to identify major business risks and evaluate potential financial implications.

Management also regularly reviews the Group's business and operations to identify areas of significant business risks and controls to mitigate the risks. The management will highlight all significant matters to the Board and audit committee members from time to time.

During the year ended 31 December 2020, the audit committee of the Company, through the engagement of Amba Partners Corporate Services Limited ("Amba"), reviewed the adequacy and effectiveness of the Group's system of risks management and internal control procedures in connection with risk management process, resources, qualifications, and experience of staff of accounting, internal audit and financial reporting, investment management process, sales process, intangible assets management process and fixed assets management process. The procedures are performed in connection with the Company's operation in Hong Kong and PRC.

Amba has reported to the audit committee that they has identified, evaluated and managed risks during the year ended 31 December 2020, based on their procedures performed, and reported that no significant deficiencies were identified and recommendations on the various aspects had been suggested to audit committee and management for their consideration.

The audit committee also reported such findings and recommendations to the Board for the improvement of the risk management and internal control systems of the Group and the Board considered that all recommendations should be properly followed to ensure the sound and effectiveness of the risk and internal control systems of the Group can be maintained.

In addition, the Board had received confirmation from the management that:

- The financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group; and
- The risk management and internal control systems of the Group are effective.

## Corporate Governance Report (Continued)

Based on the framework for risk management and internal control system established by the Group, the Board and the audit committee admitted that through the review of risk management and internal control systems of the Group, it can evaluate and improve its effectiveness, and the Board, with the concurrence of the audit committee, considered that such systems including financial, operational and compliance were effective and adequate for the Year based on the work performed and report prepared by Amba as well as the confirmation letter received by the management. The Company will perform the ongoing assessment to update the all material risk factors on a regular basis. In any case, review on risk management and internal control system will be conducted annually.

The Company is adopting the recommendations from Amba to enhance its risk management and internal control procedures and would implement appropriate policies and programmes.

### Internal Audit

During the Year, the Group had engaged an independent internal control consultant to assess our overall internal controls and to give recommendations to make any enhancement. It was reported that there were no material deficiencies in relation to the Group's internal controls. The Board is of the view that the internal control measures of the Group are adequately and effectively monitor our business operations for the Year.

### Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the Listing Rules and Securities and Futures Ordinance ("SFO").

The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the Stock Exchange and the Company on a timely basis to enable the public to access the latest information of the Group, unless such information fall within the safe harbours with the SFO. The management has notified all employees to comply with the disclosure policy. Briefing and training on the implementation of the policy have been provided to Directors, officers and senior management of the Group. The Board emphasizes that only the authorised representatives registered in the Stock Exchange are authorised to speak on behalf of the Company.

### External Auditor's Remuneration

During the Year, the Company engaged PricewaterhouseCoopers as the external auditors. The fee in respect of audit services and non-audit services provided by PricewaterhouseCoopers for the Year amounted to HK\$890,000 and HK\$35,000 respectively.

The audit committee has expressed its views to the Board that the level of fees paid/payable to the Company to the Company's external auditors for annual audit services is reasonable. There has been no major disagreement between the auditors and the management of the Company during the Year.

## Corporate Governance Report (Continued)

### Company Secretary

The Company appointed Mr. Ng Chit Sing (“Mr. Ng”), an external service provider, as its company secretary. An Executive Director and a financial controller are the primary contact persons to Mr. Ng at the Company in respect of any compliance and company secretarial matters of the Company.

The biographical details of Mr. Ng are set out under the section headed “Biographical Details of Directors and Senior Management” of this annual report. During the Year, Mr. Ng, undertook over 15 hours’ professional training to update his skill and knowledge in compliance with the CG Code.

### Changes in Constitutional Documents

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the websites of the Company and the Stock Exchange its Memorandum and Articles of Association. During the Year, there has been no changes in the constitutional documents of the Company.

### Non-Competition Undertaking from Controlling Shareholders

The controlling shareholder (as defined in the GEM Listing Rules) of the Company gave a non-competition undertaking in favour of the Company and confirm that they and their associates have not breached the terms of the undertaking contained in the Non-competition Deed during the Year.

The Board comprising all the independent non-executive Directors, based on the written confirmation provided by the controlling shareholder, is of the view that the controlling shareholder has been in compliance with the non-competition undertaking in favour of the Company for the Year.

### Shareholders’ Rights

#### The Way by which Shareholders can Convene Extraordinary General Meeting (“EGM”)/Put Forward Proposal

According to Article 58 of the Articles of Association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## Corporate Governance Report (Continued)

Article 85 of the Articles of Association provides that no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Accordingly, if a member of the Company wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("Proposal"), he/she should lodge a written notice setting out the Proposal and his/her contact details to the head office and principal place of business of the Company.

The relevant procedures are set out in the circular to the shareholders which is sent together with this annual report and the Company's website at [www.takbogroup.com](http://www.takbogroup.com).

### The Procedures for Sending Enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board/company secretary by addressing them to the Company at our principal place of business in Hong Kong or by email through the Company's website.

### Communication with Shareholders and Investors

The Company endeavors to maintain effective communications with the shareholders and potential investors of the Company.

Save as mentioned under the sub-heading "The Procedures for Sending Enquiries to the Board" above, in order to provide more relevant information to our shareholders, the Company has published all corporate information about the Group on its website at [www.takbogroup.com](http://www.takbogroup.com). It is a channel of the Company to communicate with the shareholders and potential investors with our latest corporate development. All our corporate communications, such as statutory announcement, circular and financial reports are available on the website for easy access by the shareholders and potential investors. In addition, the Company meets its shareholders at the annual general meeting so as to promote the development of the Company through mutual and efficient communications.

The forthcoming annual general meeting of the Company is scheduled to be held on 10 May 2021 (Monday). At the annual general meeting, the chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting. The representatives of the external auditors shall also present and available to answer questions at the meeting.

## Corporate Governance Report (Continued)

The notice of annual general meeting and the necessary information on issues to be considered in the annual general meeting will be set out in the circular to be dispatched to the shareholders of the Company in due course.

### **Policy on Payment of Dividends**

The Company adopted a policy on payment of dividends (the “Dividend Policy”) on 9 November 2018 in compliance with E.1.5 of the CG Code of the Listing Rules, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company’s ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders’ approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

Hong Kong, 19 March 2021

# Environmental, Social and Governance Report

## About the Group

The Group principally engages in (i) the design, development, manufacture and sale of beauty products; and (ii) the design, development and sale of beauty bags. We are dedicated to creating from concepts to innovative and multifunctional designs that worth for values for our customers' needs. We provide products with the highest quality to our customers through design, marketing and manufacturing solutions and from design, development to delivery. We believe that with our successful operation for approximately 17 years in beauty products manufacturer business in the PRC, we have become a well-known manufacturer of beauty products.

## About this Report

Takbo Group Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is pleased to present its Environmental, Social and Governance Report (the "Report") to provide an overview of the Group's management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects.

The Group is committed to responsible operation and value creation for stakeholders and the community by integrating environmental and social factors into management considerations. Sustainability strategy is based on the compliance with the legal requirements in the area in which we operate and the opinions from stakeholders. Sustainability is crucial for the Group's growth in order to achieve business excellence and enhance capabilities for long-term competitiveness.

The Group has established and implemented various policies to manage and monitor its operation risks relating to the environment and society. The policies, relevant data and measures implemented and monitored of the management approaches to sustainable development of different areas are illustrated in this Report.



## Environmental, Social and Governance Report (Continued)

### Standards and Steps of Evaluation

The Group has adopted the principle of materiality in the environmental, social and governance (“ESG”) reporting by understanding the key ESG issues that are important to the business of the Group. All the key performance indicators (KPIs) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix 20 of the GEM Listing Rules) and the guidelines of the Global Reporting Initiative (the “GRI”).

The Group has evaluated the materiality and importance in ESG aspects through the following steps:

#### Step 1: Identification – Industry Benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality and the importance of each ESG area to the Group were determined through internal discussion of the management and based on the recommendation of ESG Reporting Guide (Appendix 20 of the GEM Listing Rules).

#### Step 2: Prioritisation – Stakeholder Engagement

- The Group discussed with key stakeholders on key ESG areas identified above to ensure all the key aspects to be covered.

#### Step 3: Validation – Determining Material Issues

- Based on the discussion with key stakeholders and internal discussion among the management, the Group’s management ensured all the key and material ESG areas, which were important to the business development, were reported and in compliance with the ESG Reporting Guide.

The procedures above have been carried out, and this Report will discuss these ESG areas that are material to the Group.

# Environmental, Social and Governance Report (Continued)

## Reporting Period and Scope

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2020 to 31 December 2020.

This Report is prepared in accordance with Appendix 20 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) – “Environmental, Social and Governance Reporting Guide” and has complied with “mandatory disclosure requirements” and “comply or explain” provisions in the GEM Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities – the design, development, manufacture and sale of beauty products; and the design, development and sale of beauty bags in the PRC and Hong Kong (“HK”). With the aim to optimise and improve the disclosure requirements in the Report, the Group has adopted the taken the latest Environmental, Social and Governance Reporting Guide as the basis for reviewing and updating the relevant information and data of its operations in prior periods.

This Report shall be published both in Chinese and English together with the annual report on the website of Stock Exchange and the website of the Group. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

## Stakeholder Engagement and Feedback

The Group understands the success of the Group’s business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group’s activities, products, services and relationships. This allows the Group to understand risks and opportunities. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group’s roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

The Group acknowledges the importance of intelligence gained from the stakeholders’ insights, inquiries and continuous interest in the Group’s business activities. The Group has identified key stakeholders that are important to our business and established various channels for communication.

## Environmental, Social and Governance Report (Continued)

Based on the consultation with respective departments, the following table provides an overview of the Group's key stakeholders, and the various platforms and methods of communication that are used to reach, listen to and respond to stakeholders.

Stakeholders	Expectations	Engagement channels	Measures
<b>Government</b>	<ul style="list-style-type: none"> <li>- Comply with the laws</li> <li>- Proper tax payment</li> <li>- Promote regional economic development and employment</li> </ul>	<ul style="list-style-type: none"> <li>- On-site inspections and checks</li> <li>- Research and discussion through work conferences, work reports preparation and submission for approval</li> <li>- Annual reports</li> <li>- Website</li> </ul>	<ul style="list-style-type: none"> <li>- Operated, managed and paid taxes according to laws, strengthened safety management; accepted the government's supervision, inspection and evaluation (e.g. accepted 1-2 on-site inspections throughout the year), and actively undertook social responsibilities</li> </ul>
<b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>- Low risk</li> <li>- Return on the investment</li> <li>- Information disclosure and transparency</li> <li>- Protection of interests and fair treatment of shareholders</li> </ul>	<ul style="list-style-type: none"> <li>- Annual general meeting and other shareholder meetings</li> <li>- Annual report, announcements</li> </ul>	<ul style="list-style-type: none"> <li>- Issued notices of general meeting, proposed resolutions according to regulations, published annual and interim reports, announcements and quarterly reports in the year and disclosed the Company's information. Carried out different forms of investor activities with an aim to improve investors' recognition. Held results briefing once. Disclosed company contact details on website and in reports and ensured all communication channels are available and effective</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>- Safeguard the rights and interest of employees</li> <li>- Working environment</li> <li>- Career development opportunities</li> <li>- Self-actualisation</li> <li>- Health and Safety</li> </ul>	<ul style="list-style-type: none"> <li>- Trainings, seminars, and briefing sessions</li> <li>- Cultural and sport activities</li> <li>- Newsletters</li> <li>- Intranet and emails</li> </ul>	<ul style="list-style-type: none"> <li>- Provided a healthy and safe working environment; developed a fair mechanism for promotion; established labour unions at all levels to provide communication platforms for employees; helped employees in need and organised employee activities</li> </ul>

## Environmental, Social and Governance Report (Continued)

Stakeholders	Expectations	Engagement channels	Measures
<b>Customers</b>	<ul style="list-style-type: none"> <li>- Safe and high-quality products</li> <li>- Stable relationship</li> <li>- Information transparency</li> <li>- Integrity</li> <li>- Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>- Website, brochures</li> <li>- Email and customer service hotline</li> <li>- Regular meeting</li> </ul>	<ul style="list-style-type: none"> <li>- Established laboratory, strengthened quality management to ensure stable production and smooth transportation, and entered into long-term strategic cooperation agreements</li> </ul>
<b>Suppliers/Partners</b>	<ul style="list-style-type: none"> <li>- Long-term partnership</li> <li>- Honest cooperation</li> <li>- Fair, open</li> <li>- Information resources sharing</li> <li>- Risk reduction</li> </ul>	<ul style="list-style-type: none"> <li>- Business meetings, supplier conferences, phone calls, interviews</li> <li>- Regular meeting</li> <li>- Review and assessment</li> <li>- Tendering process</li> </ul>	<ul style="list-style-type: none"> <li>- Invited tenders publicly to select the best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors</li> </ul>
<b>Financial institutions</b>	<ul style="list-style-type: none"> <li>- Comply with the regulations</li> <li>- Information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>- Consultation</li> <li>- Information disclosure</li> <li>- Reports</li> </ul>	<ul style="list-style-type: none"> <li>- Disclosed and reported true information in a timely and accurate manner in strict compliance with regulatory requirements</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>- Information transparency</li> </ul>	<ul style="list-style-type: none"> <li>- Website</li> </ul>	<ul style="list-style-type: none"> <li>- Distribute the latest company information on the company website</li> </ul>
<b>The public and the community</b>	<ul style="list-style-type: none"> <li>- Community engagement</li> <li>- Social responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>- Charity event and community investment</li> <li>- Annual reports</li> </ul>	<ul style="list-style-type: none"> <li>- Prioritised the local community in job opportunities to promote community construction and development</li> <li>- Donated company products to the community</li> </ul>

Through general routine communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the relevant impact.

The Group expressly welcomes your feedback on this Report for our initiatives in any ESG area. Please contact us by [Enquiries@TakboGroup.com](mailto:Enquiries@TakboGroup.com).

# Environmental, Social and Governance Report (Continued)

## Materiality Assessment

During the reporting period, the Group has conducted a comprehensive materiality assessment to identify the relevant areas with the highest impact to the Group. The following matrix summarises the key ESG areas of the Group.



## Environmental Aspects

As a manufacturer, the Group has an obligation to reduce the impact of its operations on the environment and be accountable for the resources and materials that the Group used in its daily operations. Our Group is committed to continuously improving the environmental sustainability of our business, ensuring that environmental protection remains as one of the priorities in our daily business operations and that we fulfil our obligations to both the environment and community.

### Emissions

The Group is subject to various PRC and local environmental laws and regulations related to the operations, including the “Environmental Protection Law of the People’s Republic of China”. During the reporting period, the Group had no material non-compliance regarding environmental issues.

## Environmental, Social and Governance Report (Continued)

### Air Pollutant Emission

Emission control is essential to mitigate the impact to the environment and to protect the health of employees. Our air pollutants are mainly generated from the fuel consumption by factory machinery and vehicles. The Group has taken initiatives to formulate plans for the reduction of air pollutants. For example, regular monthly or quarterly vehicle maintenance is carried out, including any worn component replacement and generator cleaning. The Group's vehicle usage is reduced by recording the travelling distance, planning routes and choosing closer suppliers, and the Group aims to reduce fuel consumption by 5% in 2021.

Air pollutants emitted from the beauty products production process were collected and treated by the Group with activated carbon and carbon fibre absorption to reduce the air pollutant emission to the atmosphere. The increase in air pollutant emission in 2020 was mainly attributable to the increase in production volume and sales of beauty products and beauty bags during the year. The air pollutant emission during the reporting period is as follows:

Air Pollutants	Unit	2020 PRC	2020 HK	2020 Total	2019 Total
Nitrogen oxides (NO <sub>x</sub> )	kg	567.63	0.29	<b>567.92</b>	<b>410.19</b>
Sulfur dioxide (SO <sub>2</sub> )	kg	0.68	0.01	<b>0.69</b>	<b>0.50</b>
Particulate matter (PM)	kg	75.14	0.01	<b>75.15</b>	<b>51.33</b>

### Greenhouse Gas ("GHG") Emission

Climate change has become an important issue of common concern to the world. The Group manages its carbon footprints by minimising the energy and water consumption as these activities cause significant emission of GHG. Production activity is the main sources of GHG emitted by the Group. Our Group is taking actions to minimise the GHG emissions in our operations, and has implemented emission source reduction programme aiming to further reduce the GHG emission intensity. The increase in GHG emission in 2020 was attributable to the increase in production volume and sales of beauty products and beauty bags during the year. During the reporting period, the GHG emission is as follows:

GHG Emission <sup>1</sup>	Unit	2020 PRC	2020 HK	2020 Total	2019 Total
Scope 1 <sup>2</sup>	tonnes of CO <sub>2</sub> -e	68.2	1.18	<b>69.38</b>	<b>46.64</b>
Scope 2 <sup>3</sup>	tonnes of CO <sub>2</sub> -e	1,682.14	30.09	<b>1,712.23</b>	<b>1,059.53</b>
Total	tonnes of CO <sub>2</sub> -e	1,750.34	31.27	<b>1,781.61</b>	<b>1,106.17</b>
GHG emission intensity	PRC: tonnes of CO <sub>2</sub> -e/ tonnes of production	<b>0.18</b>			
	HK: tonnes of CO <sub>2</sub> -e/m <sup>2</sup>		<b>0.01</b>		

<sup>1</sup> The calculation of the greenhouse gas emission is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.

<sup>2</sup> Scope1: Direct emission from sources that are owned or controlled by the Group.

<sup>3</sup> Scope2: Indirect emissions from purchased electricity consumed by the Group.

## Environmental, Social and Governance Report (Continued)

### Use of Resources

#### Hazardous and Non-hazardous Wastes

Hazardous wastes produced by the Group during its production process are handled in accordance with the relevant PRC laws and regulations. The Group has commissioned a qualified contractor to handle or dispose of certain toxic liquid and solid waste, such as emulsions, mineral oils, packaging barrels and waste lamps for the Cosbe Facility in the PRC. Furthermore, in terms of the production facilities, the Group has enhanced its systems to reduce the generation of wastewater and waste, to improve and monitor sewerage discharge, as well as to treat, store and dispose of chemical and solid materials and waste.

Non-hazardous wastes generated from the Group includes paper, plastic, metal and food wastes. The Group has implemented various measures to reduce wastes in the daily operation, which include: (i) double-sided printing of paper is recommended; and (ii) our employees are discouraged from using disposable tableware and shopping bags are provided for them when eating out.

The decrease in the amount of hazardous wastes and non-hazardous wastes generated in 2020 was mainly attributable to the Group's effort on implementing waste-free initiatives in reducing wastes during the year. By continuing to enhance its production system, the Group aims to reduce the volume of its waste by 5% after 2021.

The wastes generated by the Group during the reporting period are as follows:

<b>Waste Disposal</b>	<b>Unit</b>	<b>2020 PRC</b>	<b>2020 HK</b>	<b>2020 Total</b>	<b>2019 Total</b>
Hazardous wastes produced	tonnes	0.09	–	<b>0.09</b>	<b>0.07</b>
Hazardous wastes produced intensity	tonnes/tonnes of production	0.0000106	–	<b>0.0000106</b>	<b>0.000031</b>
Non-hazardous wastes produced	tonnes	4.64	–	<b>4.64</b>	<b>4.64</b>
Non-hazardous wastes produced intensity	tonnes/employee	0.0004875	–	<b>0.0004875</b>	<b>0.032</b>

The Group put effort in recycling different waste materials. The increase in the amount of non-hazardous wastes recycled in 2020 was mainly attributable to the Group's waste-free and recycling measures. The Group will continue to promote paper-saving measures, encourage double-sided printing of paper and enhance recycling. The Group aims to reduce the volume of its waste by 5% after 2021.

## Environmental, Social and Governance Report (Continued)

The amount of non-hazardous wastes recycled during the reporting period is as follows:

Non-hazardous wastes recycled	Unit	2020 PRC	2020 HK	2020 Total	2019 Total
Plastic and paper	tonnes	6.38	–	<b>6.38</b>	<b>3.70</b>
Metal	tonnes	1.15	–	<b>1.15</b>	<b>1.54</b>
Non-hazardous wastes recycled intensity	tonnes/employee	0.8	–	<b>0.8</b>	<b>0.03</b>

### Wastewater

The Group has obtained the pollutant emission permit for wastewater to ensure all wastewater generated during our production process can be safely handled according to the national safety standards before external discharge. Wastewater with high volume and low pollution such as cooling wastewater is recycled in the facilities after proper treatment in order to reduce the burden on city sewers and sewage treatment facilities.

We have commissioned an experienced wastewater treatment company to formulate a wastewater treatment process. Suppliers also need to provide safety certifications for raw materials, hence, this can prevent the hazardous wastewater from being produced during our production process. During the reporting period, 9,483 m<sup>3</sup> (2019: 7,298 m<sup>3</sup>) of wastewater was treated and discharged according to the national safety standards.

### Energy

The Group considers environmental protection as an essential component of a sustainable and responsible business. The Group aims to promote resource saving and implement suitable energy saving measures in order to improve the energy saving performance. We are also exploring energy saving and green management measures for our facilities, and strive to reduce resource consumption as much as possible. For example, restrictions on the number of vehicles are implemented to avoid unnecessary use of vehicles and high energy-consuming air conditioners are no longer used. With the energy-saving initiatives including those listed above, the Group aims to reduce the volume of its energy consumption by 5% after 2021.

During the reporting period, the energy consumption is as follows:

Energy Consumption	Unit	2020 PRC	2020 HK	2020 Total	2019 Total
Purchased electricity	kWh in '000s	2,010.45	59.00	<b>2,069.45</b>	<b>1,576.63</b>
Diesel	kWh in '000s	139.27	–	<b>139.27</b>	<b>142.38</b>
Petrol	kWh in '000s	28.25	6.56	<b>34.81</b>	<b>35.57</b>
Total energy consumption	kWh in '000s	2,177.97	65.56	<b>2,243.53</b>	<b>1,754.58</b>
Energy consumption intensity	PRC: kWh in '000s/tonnes of production HK: kWh in '000s/m <sup>2</sup>	<b>0.23</b>	<b>0.01</b>		



## Environmental, Social and Governance Report (Continued)

### Water

Water is also another important resource used for the daily operation of the Group. To conserve water, the water used for cleaning purposes is recycled for washing to control dust level in the Cosbe Facility in the PRC. In HK, the water supply service in the office is provided by the building management company. In this case, water consumption data is not available. However, we raise the awareness of employees about water saving through different channels. While water consumption increased in 2020 due to the increased production volume, the water consumption intensity is reduced due to the water saving initiatives of the Group during the year, including the replacement of water saving valves in the office, hallways and workshops. The Group aims to reduce the volume of its water consumption by 3% after 2021.

The water consumption during the reporting period is as follow:

<b>Water consumption</b>	<b>Unit</b>	<b>2020 PRC</b>	<b>2020 HK</b>	<b>2020 Total</b>	<b>2019 Total</b>
Water consumption	m <sup>3</sup>	12,126	N/A	<b>12,126</b>	<b>8,560</b>
Water consumption intensity	PRC: m <sup>3</sup> /tonnes of production	1.29	N/A	<b>1.29</b>	<b>3.53</b>

### Packaging Materials

The major packaging materials used in our manufacture business in the PRC are paper, metal and plastic. The increase in packaging materials consumption for paper and plastic in 2020 was mainly attributable to the increase in sales of beauty products during the year. The consumption of those materials is as follows:

<b>Packaging materials consumption</b>	<b>Unit</b>	<b>2020 HK</b>	<b>2020 PRC</b>	<b>2020 Total</b>	<b>2019 Total</b>
Paper	tonnes	–	3,150.30	<b>3,150.30</b>	<b>1,046.84</b>
Plastic	tonnes	–	1,408.15	<b>1,408.15</b>	<b>348.13</b>
Metal	tonnes	–	17.94	<b>17.94</b>	<b>36.57</b>
Packaging materials consumption intensity	PRC: tonnes/tonnes of production	–	0.49	<b>0.49</b>	<b>0.59</b>

### The Environment and Natural Resources

As a manufacturing company, the Group recognises its potential impact on the environment in its daily operations, including waste and wastewater. To minimise the significant impact on the environment and natural resources, we have put water saving and energy saving as the main focuses in our policies and have set up related monitoring policies and control initiatives. These include the use of usable wastewater generated from cleaning and other activities in the facility as sprinkle water to reduce dust in the park in accordance with the environmental protection authorities. In terms of product design, the Group, while ensuring the safety and reliability and without lowering product performance index, adopts appropriate processes and equipment and implements strict supervision to improve material utilisation and to avoid wastage.

## Environmental, Social and Governance Report (Continued)

### Climate change

According to the Adaptation Gap Report 2020, released by the United Nations Environment Programme (the “UNEP”), as temperatures rise and climate change impacts intensify, nations must urgently step up action to adapt to the new climate reality or face serious major damages.

Climate change adaptation is one of the UNEP’s two main types of interventions to response to climate change. It indicates that nations need to adapt to the corresponding changes based on the climate changes that are already occurring in order to lower the damage, loss and impact to life, property and health due to climate change.

With global warming and La Niña, the Group expects the climate in South China in 2021 will be prone to extreme weather such as heavy rainfalls and typhoons. Such expectation is also one of the inherent risks the Group concerns about in relation to climate change.

It is our commitment to operate with respect and care for the environment and without compromising the health and safety of our employees and the community. To minimise the potential impact of severe climate change on our business operations, our Group has established management policies on environmental health and safety, and environmental and working conditions, and provided education and trainings to our employees to raise their safety awareness and safety skills, and to increase their awareness of self-protection.

### Social Aspects

#### Employment and Labour Practices

##### Employment

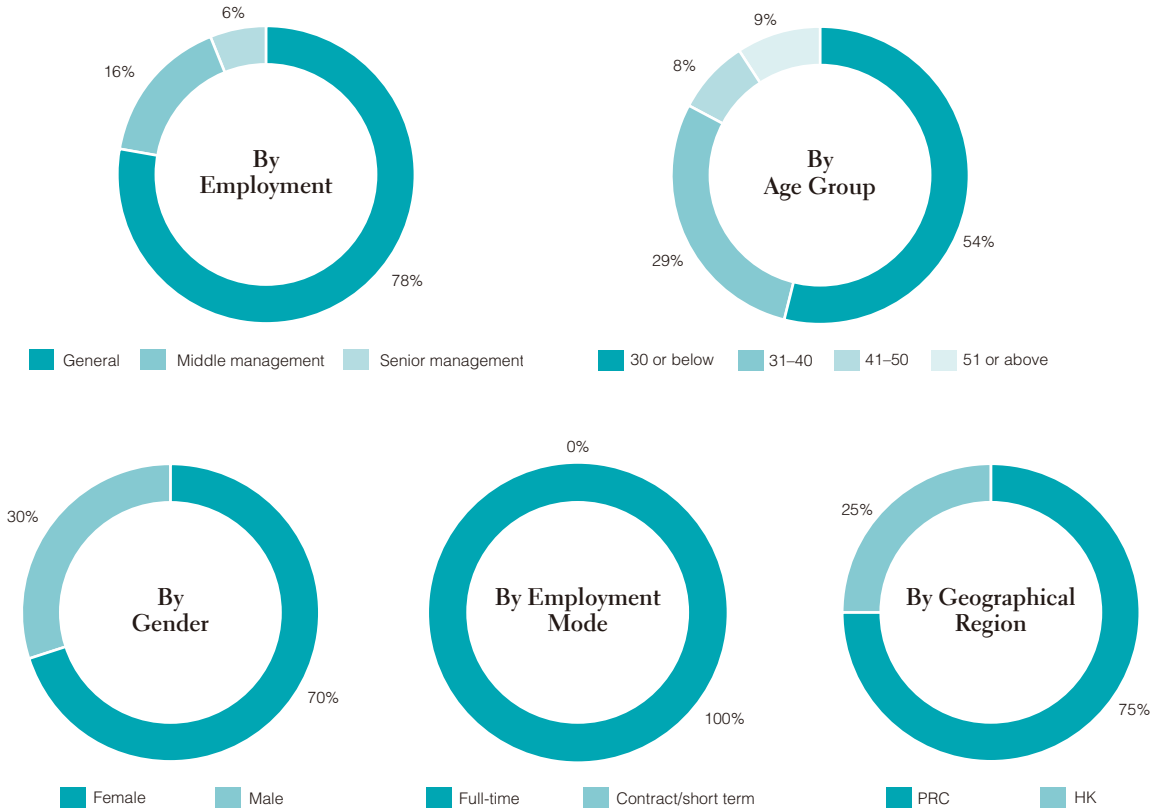
The Group believes people are important assets and competent staff is the foundation for success and development of the Group. Policies are in place to stipulate key human resources management practices in recruitment, promotion, resignation, working hours, equal opportunities and compensation benefits. The principle of equal opportunities is applied in the recruitment and promotion policies. The Group promotes fair competition. All employees are hired based on the merits and treated equally, regardless of their nationality, race, gender, age, religion and marital status, etc.

The Group also advocates harmonious and work-life balance culture through organising a diversified choice of activities for employees. We organised annual dinner, annual travel and employee gatherings during the reporting period. Those activities can enable employees to relax and enhance the communications among employees.

# Environmental, Social and Governance Report (Continued)

The adoption of these human resources policies and procedures also ensures the Group’s compliance with the relevant labour laws and regulations where it operates, including “Employment Ordinance” in HK and “Labour Law of the People’s Republic of China”. During the reporting period, there was no non-compliance related to applicable employment laws and regulations.

As at 31 December 2020, the employee ratios and employee turnover rate (in percentages) by gender, employment type, age group, geographical region and employee mode were as follows:



## Health and Safety

The Group is committed to providing a healthy and safe workplace for all its employees. We take work safety seriously in our facility and have established measures to promote work safety and to ensure compliance with applicable laws and regulations in the PRC.

In 2020, no concluded cases regarding health and safety brought against the issuer or its employees were noted. Besides, no cases regarding the number and rate of work-related fatalities occurred for each of the past 3 years including the current reporting period.

## Environmental, Social and Governance Report (Continued)

The Group strengthened in providing its employees with work safety trainings, including the treatment of hazardous and non-hazardous wastes, cleaning and sterilisation, preventive measures and control procedures, to promote the importance of the awareness of work safety among our employees and ensure all our employees are familiar with the applicable laws, policies and the necessary procedures to be followed in order to prevent work safety hazard.

We have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including sterilisation, chemicals handling and storage, fire safety, electricity safety, work-related injuries and emergency and evacuation procedures. We have installed appropriate fire safety equipment.

The members of the Environmental, Health and Safety (“EHS”) committee carry out regular inspection and evaluation on the safety measures so as to continuously improve the working conditions and monitor the effectiveness of safety related controls. At the same time, the Group also collects opinions from employees on occupational health and safety.

### Development and Training

The Group has implemented “Training Management System” in order to establish and improve the training system, encourage every department and every employee to participate in the training programmes, and continuously improve the professionalism and enhance the on-the-job skills of employees. The Group prepares the annual training plan based on the job performance of employees and operation needs. The Group provides diversified on-the-job trainings to employees, particularly safety and quality control trainings, with the aim to maintain the safety in the working environment and the quality of products. Trainings at all levels are available to meet the needs of respective positions as below:

1. **Orientation trainings** – New employees will receive orientation trainings related to corporate culture.
2. **Job skills trainings** – All new and internally transferred employees will receive trainings related to department functions, job responsibilities and job skills within the first week of work to ensure they have a complete understanding of the job.
3. **External trainings** – Professional trainings for certain job positions based on the operation needs of the Group.
4. **Trainings and assessment for employees in special position** – Certification trainings for specialists. The Group invites related government departments and institutions to deliver trainings to ensure employees can perform duties with relevant qualifications.

## Environmental, Social and Governance Report (Continued)

In 2020, the detailed breakdown of the percentage of employees trained and the average training hours completed per employee by gender and employee category is as follows:

<b>Training</b>	<b>Average training hours</b> (hours/employee)	<b>Percentage of employee trained</b> (%)
<b>By Gender</b>		
– Male	21.7	96.1%
– Female	23.2	93.4%
<b>By employment category</b>		
– Senior management	17.8	100%
– Middle management	20.5	100%
– General	23.1	93.3%

### Labour Standards

The Group respects the human rights of employees, and is strongly against the employment of child labour and forced labour. The Group strictly complies with the relevant laws and regulations, such as “Employment Ordinance” in HK and “Labour Law of the People’s Republic of China”. According to the “Labour and Employment Management Procedures” of the Group, persons under 16 years of age are not allowed to work in the Group and there is zero tolerance to child labour and forced labour. The Group complies to the Provisions on the Special Protection of Juvenile Labour, including the prohibition of toxic, hazardous, high-temperature, low-temperature, intensive physical labour, and dangerous work. Our suppliers are expected to follow the same standard of labour practices when working with us. During the reporting period, the Group did not find any cases related to child labour or forced labour.

Any violation of the “Labour and Employment Management Procedures” of the Company will be subject to criticism or disciplinary action, and may result in termination of employment.

### Operating Practices

#### Supply Chain Management

The Group relies on suppliers to provide production materials. We are fully aware of the potential environmental and social risks associated with our supply chain and are committed to reducing such risks in the collaboration with our suppliers. For example, we carefully select the suppliers based on a list of criteria such as ICTI\* compliance fulfilment, environmental certification, product quality, timely delivery, cooperation and price in accordance with the Group’s internal policies including “Procurement and Supplier Management Procedures” and “Suppliers and Sub-Contractors Social Responsibility Management Procedures”. The Group maintains a long-term relationship with suppliers based on the results from the annual assessment.

\* ICTI Ethical Toy Program Certification requires factories to uphold various standards to support the rights and well-being of factory workers. For further information please visit <https://www.ethicaltoyprogram.org/>

## Environmental, Social and Governance Report (Continued)

During the reporting period, the Group has 467 suppliers which are located in the PRC, and the Group has not engaged any third-party procurement suppliers. Every supplier needs to be inspected and evaluated, and sign a letter of commitment on taking up social responsibility based on ICTI requirement before starting cooperation with the Group.

The Group irregularly checks the ICTI compliance with the suppliers and provides related trainings, including EHS training to the suppliers in order to prevent the suppliers from serious violation of relevant laws and regulations. If violation is observed from suppliers, the Group will suspend the cooperation.

### Product Responsibility

As a well-established beauty products manufacturer in the PRC, achieving and maintaining a high-quality standard of products is the utmost importance for sustainable growth of the Group. The Group is in strict compliance with related laws and regulations, including “Product Quality Law of the People’s Republic of China”. During the reporting period, the Group did not discover any significant risk exposure in relation to the product responsibility, and there were no products sold or shipped subject to recalls for safety or health reasons.

### *Customer Complaints*

The Group’s department of commerce is responsible for dealing with the complaints from customers. Prompt response will be made and the problem will be tackled to prevent similar complaints from happening. During the year 2020, no complaints related to the quality of products were received by the Group. Regular customer satisfaction survey is carried out bi-annually for the continuous improvement of quality of products and services.

### *Intellectual Property Protection*

Intellectual property is an area of substantial importance in the environment of the Group. The Group has implemented “Intellectual Property Policy and Procedure” to protect the manufacture and sale of beauty products under the trademarks of its own brands. In the event an infringement of intellectual property rights owned by the Group is being found, the Group shall seek legal advice to protect the interest of the Group. For any new trademarks or any new brands to be licensed, the Group shall take all appropriate action to register and protect trademarks of its own brands in the jurisdictions in which products under these brands are sold.

### *Quality Assurance and Recall Procedures*

In order to enhance the quality of products and services provided by the Group, the Group has set up internal policies – “Product Inspection Procedures”, “Products Recall Guidelines” and other related procedures in accordance with the requirement of ISO 9001:2015 – Quality Management System. Inspections are performed in different stages of the production line before the products are packed for delivery to ensure the quality of products. Procedures for control of nonconforming products shall apply to protect customers against safety risks for any products which are inspected to be unqualified. If products are recalled for safety and health reasons unfortunately, product recalling procedures and analysis shall be carried out to reduce similar incidents. During the reporting period, none of our products sold was subject to any recalls for safety and health reasons.

## Environmental, Social and Governance Report (Continued)

### *Consumer Information Protection*

The Group respects consumer data privacy and is committed to preventing customer data leakage or loss. According to the Group's "Customers Property Control Procedures", collected consumer personal data and property are accessible only by authorised personnel and handled with care, and provided that the public interest is not involved, without the consent of the customer, it cannot be disseminated or leaked, nor used for commercial purposes. The Group complies with relevant consumer information protection laws and regulations. During the year 2020, no severe laws violation in this aspect was found to have posed significant impact on the Group.

### **Anti-Corruption**

The Group is committed to the highest possible standards of openness, honesty and accountability in all the affairs. The Group is determined to maintain a culture of honesty and opposition to fraud and corruption. Based on this commitment, the Group implements related policies and procedures including "Anti-Fraud and Whistle-Blowing Policy" and "Anti-Bribery and Anti-Corruption Code of Conduct". The Group has also applied the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities as the basis for developing regulations rules and regulations on internal integrity discipline and integrity administration.

These policies and procedures outline the principles to which we are committed to preventing, reporting and managing fraud, corruption and bribery. These principles are well conveyed to our employees through daily communication, trainings and workshops. During the reporting period, 95% of our staff received trainings on anti-corruption. Our customers, suppliers and contractors are expected to follow the same policy when working with us.

The Group has established a whistle-blowing mechanism that allows employees and the public to report suspicious cases and concerns in a confidential manner. Investigation of alleged fraud or fraudulent behaviour may be carried out internally or may be referred to the appropriate regulatory authorities. Reports shall be produced subsequently and submitted to the management for further action. If the allegation is determined to be materially true, the Group reserves the right to take all appropriate actions including terminating the employment of any perpetrators, reporting the fraud or fraudulent activities to appropriate government authorities and pursuing legal actions, both civil and criminal, against the perpetrators.

## Environmental, Social and Governance Report (Continued)

In 2020, the detailed breakdown of the number of persons who received training for anti-corruption and the training hours per person for anti-corruption by employment category is as follows:

	<b>Number of persons received training for anti-corruption</b>	<b>Training hours per person for anti-corruption</b>
Board member	4	2.5
Senior management	10	2.8
Middle management	26	3.4
General	126	4

The Group has been in strict compliance with the related local laws and regulations in the PRC and Hong Kong including “Prevention of Bribery Ordinance” of HK and all relevant anti-corruption laws in the PRC, such as “Criminal Law of the People’s Republic of China”, “Anti-Unfair Competition Law of the People’s Republic of China” and “Interim Provisions on Banning Commercial Bribery of the People’s Republic of China”. During the reporting period, there was no legal case regarding corrupt practices brought against the Group or its employees.

### Community Investment

The Group is committed to supporting and contributing to the society by implementing related policies and measures to understand the needs of the community. Contribution to the community and maintaining a harmonious relationship with the stakeholders in the region of operation are crucial for the sustainable development of the Group.

With the emergence of the COVID-19 pandemic, the Group has taken the necessary pandemic preventive measures to protect the health of its employees from the pandemic in accordance with the relevant community requirements.

The Group is willing to participate in activities organised by the community in order to enhance the communication among different stakeholders. During the reporting period, we continued to support a number of charitable activities, including the donation of 480 and 650 alcohol-based hand sanitisers to the ChickenSoup Foundation and The Independent Schools Foundation Academy, respectively.



## Environmental, Social and Governance Report (Continued)

### ESG Indicator Index

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KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<b>Greenhouse Gas (“GHG”) Emission</b>	56
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## Environmental, Social and Governance Report (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Chapter	Page
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<b>Employment and Labour Practices</b>			
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## Environmental, Social and Governance Report (Continued)

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# Independent Auditor's Report



羅兵咸永道

**To the Shareholders of Takbo Group Holdings Limited**  
(incorporated in the Cayman Islands with limited liability)

## Opinion

### What we have audited

The consolidated financial statements of Takbo Group Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 78 to 139, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

### Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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## Independent Auditor's Report (Continued)

### Key Audit Matters

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

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

#### Key Audit Matter

#### How our audit addressed the Key Audit Matter

##### Impairment assessment of trade receivables

Refer to note 3.1(c), note 4 and note 20 to the consolidated financial statements

As at 31 December 2020, the Group had gross trade receivables of approximately HK\$85.7 million (2019: HK\$57.9 million) and provision for impairment of approximately HK\$4.3 million (2019: HK\$2.4 million).

In general, the credit terms granted by the Group to the customers ranged between 30 to 120 days (2019: 30 to 120 days). Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, expected timing and amount of realisation of outstanding balance, and on-going trading relationships with the relevant customers. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of assumptions which are judgmental in nature and the calculation is subject to a higher degree of estimation uncertainty among the different accounting estimates applied by management in the preparation of the financial statements.

Our procedures in relation to management's impairment assessment of the trade receivables as at 31 December 2020 included:

- Understanding and evaluating the management's internal control and process of impairment assessment of trade receivables, assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, and validating the key controls that the Group has implemented to estimate the loss allowance for trade receivables;
- Evaluating the outcome of prior period assessment of impairment of trade receivables to assess the effectiveness of management's estimation process;
- Inquiring of management for the status of each of the material trade receivable past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking settlement records of and other correspondence with the customers in order to identify customers with specific risk for impairment assessment and challenge the reasonableness of management's grouping of the trade debtors into different categories in the provision matrix; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the underlying key data inputs such as monthly ageing profile of trade receivables balances on a sample basis to assess the accuracy and completeness of historical data and challenging the forward-looking information used to determine the adjustment made to historical loss rate in order to calculate the expected credit losses.

We found that the management judgment and estimates used to determine the impairment provision to be supportable by available evidence.



## Independent Auditor's Report (Continued)

### Other Information

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

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

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

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

### Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

## Independent Auditor's Report (Continued)

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

## Independent Auditor's Report (Continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Wai Ching.

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 19 March 2021

# Consolidated Income Statement

For the year ended 31 December 2020

	<i>Notes</i>	<b>2020</b> HK\$'000	2019 HK\$'000
Revenue	5	<b>287,768</b>	266,415
Cost of sales	8	<b>(196,126)</b>	(167,565)
<b>Gross profit</b>		<b>91,642</b>	98,850
Other income	6	<b>4,976</b>	2,564
Other (losses)/gains, net	7	<b>(3,767)</b>	6,665
Administrative expenses	8	<b>(47,261)</b>	(40,226)
Selling and distribution expenses	8	<b>(23,584)</b>	(29,587)
Net impairment losses on trade receivables	20	<b>(1,841)</b>	(332)
<b>Operating profit</b>		<b>20,165</b>	37,934
Finance income	11	<b>1,096</b>	1,445
Finance costs	11	<b>(316)</b>	(370)
Finance income, net	11	<b>780</b>	1,075
<b>Profit before income tax</b>		<b>20,945</b>	39,009
Income tax expense	12	<b>(2,536)</b>	(5,956)
<b>Profit for the year attributable to owners of the Company</b>		<b>18,409</b>	33,053
Earnings per share (in HK cents)	13	<b>4.6</b>	8.3

The above consolidated income statement should be read in conjunction with the accompanying notes.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Profit for the year	18,409	33,053
Other comprehensive income/(loss): <i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	3,099	(2,547)
Other comprehensive income/(loss) for the year	3,099	(2,547)
Total comprehensive income for the year	21,508	30,506
Total comprehensive income attributable to owners of the Company	21,508	30,506

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated Balance Sheet

As at 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15(a)	45,668	43,813
Intangible asset	16	264	356
Right-of-use assets	15(b)	18,278	17,400
Prepayments	21	4,021	4,142
Deferred income tax assets	27	1,434	1,086
		<b>69,665</b>	66,797
<b>Current assets</b>			
Inventories	17	17,480	7,564
Trade and bills receivables	20	82,508	55,465
Prepayments, deposits and other receivables	21	10,237	9,855
Amount due from a related party	31(c)	137	332
Current income tax recoverable		2,259	–
Financial assets at fair value through profit or loss	19	3,540	–
Cash and cash equivalents	22	119,028	114,244
		<b>235,189</b>	187,460
<b>Total assets</b>		<b>304,854</b>	254,257
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	23	4,000	4,000
Share premium	23	56,188	56,188
Other reserves		5,680	1,346
Retained earnings		156,591	139,417
<b>Total equity</b>		<b>222,459</b>	200,951

## Consolidated Balance Sheet (Continued)

As at 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provision	26	393	393
Lease liabilities	15(b)	14,771	13,255
		<b>15,164</b>	13,648
<b>Current liabilities</b>			
Trade payables	25	23,006	15,525
Contract liabilities	5(d)	14,934	1,496
Lease liabilities	15(b)	3,944	4,380
Accruals, provisions and other payables	26	25,347	10,563
Amount due to a related party	31(c)	–	404
Current income tax liabilities		–	7,290
		<b>67,231</b>	39,658
<b>Total liabilities</b>		<b>82,395</b>	53,306
<b>Total equity and liabilities</b>		<b>304,854</b>	254,257

The consolidated financial statements on pages 78 to 139 were approved by the Board of Directors on 19 March 2021 and were signed on its behalf.

**Or Naam**  
*Director*

**Chan Hoi Yan, Polly**  
*Director*

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital and other reserves (Note 24(a)) HK\$'000	Statutory reserve (Note 24(b)) HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	
<b>Balances at 31 December 2018 and 1 January 2019</b>	4,000	56,188	46	1,086	2,322	106,803	170,445
Profit for the year	-	-	-	-	-	33,053	33,053
Other comprehensive loss	-	-	-	-	(2,547)	-	(2,547)
<b>Total comprehensive income for the year</b>	-	-	-	-	(2,547)	33,053	30,506
<b>Transactions with owners in their capacity as owners</b>							
Transfer to statutory reserve	-	-	-	439	-	(439)	-
	-	-	-	439	-	(439)	-
<b>Balances at 31 December 2019 and 1 January 2020</b>	4,000	56,188	46	1,525	(225)	139,417	200,951
Profit for the year	-	-	-	-	-	18,409	18,409
Other comprehensive income	-	-	-	-	3,099	-	3,099
<b>Total comprehensive income for the year</b>	-	-	-	-	3,099	18,409	21,508
<b>Transactions with owners in their capacity as owners</b>							
Transfer to statutory reserve	-	-	-	1,235	-	(1,235)	-
	-	-	-	1,235	-	(1,235)	-
<b>Balances at 31 December 2020</b>	4,000	56,188	46	2,760	2,874	156,591	222,459

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	<i>Notes</i>	<b>2020</b> HK\$'000	2019 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	27,601	30,360
Income tax (paid)/refunded		(12,434)	253
Net cash generated from operating activities		15,167	30,613
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(5,288)	(16,365)
Purchase of intangible asset		–	(130)
Interest received		1,096	1,445
Additions to financial assets at fair value through profit or loss		(3,540)	–
Proceeds from disposal of property, plant and equipment		–	10
Net cash used in investing activities		(7,732)	(15,040)
<b>Cash flows from financing activities</b>			
Principle element of lease payments		(3,784)	(3,983)
Interest element of lease payments		(316)	(370)
Net cash used in financing activities		(4,100)	(4,353)
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		114,244	103,628
Effect of exchange rate changes on cash and cash equivalents		1,449	(604)
Cash and cash equivalents at the end of the year	22	119,028	114,244

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

## 1 General Information

Takbo Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 8 February 2017 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the design, development, manufacture and sale of beauty products, and the design, development and sale of beauty bags.

The ultimate controlling parties of the Company are Mr. Or Naam, Ms. Chu Siu Fong (“Ms. Chu”) and Ms. Chan Hoi Yan Polly (“Ms. Chan”) (collectively, the “Controlling Shareholders”). The ultimate holding company of the Company is Classic Charm Investments Limited (“Classic Charm”).

The Company became listed on the GEM of The Stock Exchange of Hong Kong Limited on 27 October 2017.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

Certain comparative figures have been reclassified to conform with the current period’s presentation.

## 2 Summary of Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Takbo Group Holdings Limited and its subsidiaries.

### 2.1 Basis of preparation

#### (a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of the Hong Kong Companies Ordinance Cap. 622.

#### (b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (Continued)

#### (c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### (d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting period and have not been early adopted by the Group.

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 16 (Amendments)	Impact of COVID-19 on related rent concessions	1 June 2020
HKFRS 17	Insurance Contract	1 January 2021
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 37 (Amendments)	Cost of Fulfilling a Contract	1 January 2022
HKAS 16 (Amendments)	Proceeds before Intended Use	1 January 2022
Amendments to HKFRSs	Improvement to HKFRS 2018–2020 Cycle	1 January 2022

The Group is still assessing what the impact of the new standards, interpretations and amendments will be in the period of initial application. It is not yet in a position to state whether these new standards, interpretations and amendments will have a significant impact on the Group's results of operations and financial position.

# Notes to the Consolidated Financial Statements (Continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.2 Principles of consolidation

#### Subsidiaries

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2.3 Separate financial statements

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

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

### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of Takbo Group Holdings Limited has appointed executive directors as being the chief operating decision maker, which assesses the financial performance and position of the Group, and makes strategic decisions.

# Notes to the Consolidated Financial Statements (Continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK\$, 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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other (losses)/gains, net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

#### (c) Group companies

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income.

# Notes to the Consolidated Financial Statements (Continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.5 Foreign currency translation (Continued)

#### (c) Group companies (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Leasehold improvements	20%
Plant and machinery	10% to 20%
Furniture and equipment	10% to 20%
Motor vehicles	10% to 25%

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in the consolidated income statement.

# Notes to the Consolidated Financial Statements (Continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.7 Intangible assets

Intangible assets with definite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate costs of intangible assets over their estimated useful lives of 5 years.

### 2.8 Impairment of non-financial assets

Assets that are subject to amortisation are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 2.9 Investments and other financial assets

#### (a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

# Notes to the Consolidated Financial Statements (Continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.9 Investments and other financial assets (Continued)

#### (c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses)/gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other (losses)/gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other (losses)/gains, net and impairment expenses are presented as separate line item in the income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other (losses)/gains, net in the period in which it arises.



# Notes to the Consolidated Financial Statements (Continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.9 Investments and other financial assets (Continued)

#### (d) Impairment

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

For trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(c) and note 20 for further details.

### 2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.11 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 2.12 Trade, bills and other receivables

Trade and bills receivables are amounts due from customers for goods sold in the ordinary course of business. Trade and bills receivables are generally due for settlement within one year or less (or in the normal operating cycle of the business if longer), and therefore all classified as current.

Trade, bills and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade, bills and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

## Notes to the Consolidated Financial Statements (Continued)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 2.14 Share capital

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

#### 2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within the credit term. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

##### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

# Notes to the Consolidated Financial Statements (Continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.16 Current and deferred income tax (Continued)

#### (b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## Notes to the Consolidated Financial Statements (Continued)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.17 Employee benefits

##### (a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

##### (b) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group 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. A defined benefit plan is a pension plan that is not a defined contribution plan. For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group 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.

##### (c) Long service payments

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfills certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

Long services payments are recognised when they accrue to employees. A provision is made for the estimated liability for long service payments as a result of services rendered by employees up to the end of reporting period. The liability recognised in the consolidated balance sheet in respect of long service payments measured at the present value of estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the end of reporting period.

##### (d) Bonus plans

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

# Notes to the Consolidated Financial Statements (Continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### 2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

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

## Notes to the Consolidated Financial Statements (Continued)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.19 Revenue recognition (Continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service. Specific criteria where revenue is recognised are described below.

A receivable is recognised when the products are delivered and the customers accept the products, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

##### (a) Sale of beauty products and bags

The Group manufactures and sells a range of sale of beauty products and bags to customers. Revenue from the sales and distribution of products is recognised when control of the products has transferred, being at the point the products are delivered to the customer's premise and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of discounts, returns and value added taxes.

##### (b) Sample income

Sample income is recognised when control of the products has transferred, being at the point the products are delivered to the customer's premise and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

# Notes to the Consolidated Financial Statements (Continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.20 Earnings per share

#### (a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

#### (b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 2.21 Dividend distribution

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

### 2.22 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## Notes to the Consolidated Financial Statements (Continued)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.23 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.



# Notes to the Consolidated Financial Statements (Continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.23 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items of office furniture.

# Notes to the Consolidated Financial Statements (Continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.24 Government grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and, the Group will comply with all attached conditions. Note 6 provides further information on how the Group accounts for government grants.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

## 3 Financial Risk Management

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management of the Group. Formal and informal management meetings are held to identify significant risks and to develop procedures to deal with any risks in relation to the Group's businesses.

#### (a) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China and is exposed to foreign exchange risk, primarily with respect to US\$ and Chinese Renminbi ("RMB") denominated transactions arising from the sales of cosmetics products and bags to customers and purchases from suppliers.

Since HK\$ is pegged to US\$, the directors are of the opinion that the foreign exchange risk arising from US\$ of the Group is insignificant.

If RMB had strengthened/weakened by 5% against HKD with all other variables held constant as at the end of the year, the post-tax profit would have been approximately HK\$12,000 higher/lower (2019: HK\$18,000 lower/higher), mainly as a result of foreign exchange gain (2019: foreign exchange losses) on revaluation of RMB denominated cash and cash equivalents.

If RMB had strengthened/weakened by 5% against US\$ with all other variables held constant as at the end of the year, the post-tax profit would have been approximately HK\$624,000 higher/lower (2019: HK\$591,000 lower/higher), mainly as a result of foreign exchange gain (2019: foreign exchange losses) on revaluation of RMB denominated cash and cash equivalents and receivables.

## Notes to the Consolidated Financial Statements (Continued)

### 3 Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (a) Foreign exchange risk (Continued)

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in HK\$, was as follows:

	2020 HK\$'000	2019 HK\$'000
<b>Assets</b>		
US\$	151,926	135,856
RMB	233	383
Others	32	33
	<b>152,191</b>	136,272
<b>Liabilities</b>		
US\$	8,288	4,171
RMB	–	1,372
	<b>8,288</b>	5,543

##### (b) Cash flow and fair value interest rate risk

The Group's cash flow interest rate risk arises from cash at bank and interest-bearing bank deposits.

If the interest rate on cash at bank and interest-bearing bank deposits had been 100 basis points higher/lower than the prevailing interest rate, with all other variables held constant as at the end of the year, post-tax profit would have been approximately HK\$404,000 (2019: HK\$1,104,000) higher/lower.

##### (c) Credit risk

Credit risk arises from cash and cash equivalents (deposits with banks), amount due from a related party, trade and bills receivables, and deposit and other receivables.

In respect of deposits with banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero after considering forward-looking information and no provision was made as of 31 December 2020.

## Notes to the Consolidated Financial Statements (Continued)

### 3 Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Credit risk (Continued)

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables.

For bills receivable, bills are issued by counterparties at reputable banks and the credit risk is considered to be low. Those counterparties do not have defaults in the past. Therefore, expected credit loss rate is assessed to be close to zero and no provision was made as at each of the end of reporting period.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical monthly outstanding balances of trade receivables of 36 months before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Majority of the Group's revenue is received from individual customers in relation to beauty products and bags sold and are transacted in cash or credit. The Group's trade and bills receivables arise from sales of beauty products and bags to the customers. As at the end of the year, the top three debtors and the largest debtor accounted for approximately 87.7% and 62.1% (2019: 88.0% and 42.3%) of the Group's trade and bills receivables balance.

## Notes to the Consolidated Financial Statements (Continued)

### 3 Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Credit risk (Continued)

The Group classifies its trade receivables by nature of customer accounts. These include overseas customers and Mainland China customers. The loss allowances as at 31 December 2020 and 31 December 2019 were determined as follows:

	<b>Overall lifetime expected credit loss rate</b>	<b>Gross carrying amount</b> HK\$'000	<b>Lifetime expected credit loss</b> HK\$'000	<b>Net carrying amount</b> HK\$'000
<b>At 31 December 2020</b>				
<b>Net impairment losses on trade receivables</b>				
Overseas customers	<b>2.3%</b>	<b>79,187</b>	<b>1,808</b>	<b>77,379</b>
Mainland China customers	<b>37.8%</b>	<b>6,494</b>	<b>2,456</b>	<b>4,038</b>
		<b>85,681</b>	<b>4,264</b>	<b>81,417</b>
<b>At 31 December 2019</b>				
<b>Net impairment losses on trade receivables</b>				
Overseas customers	0%	54,846	–	54,846
Mainland China customers	79.7%	3,042	2,423	619
		57,888	2,423	55,465

The credit quality of the amounts due from related parties and other receivables excluding prepayments has been assessed with reference to historical information about the counterparties, default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of other receivables and the amounts due from related parties is low due to the sound collection history of the receivables due from them and consideration given in the forward-looking information relevant to them. Therefore, expected credit loss rate of the amounts due from related parties and other receivables excluding prepayments is assessed to be close to zero and no provision was made as of 31 December 2020.

## Notes to the Consolidated Financial Statements (Continued)

### 3 Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (d) Liquidity risk

Prudent liquidity risk management is controlled by maintaining sufficient cash and cash equivalents generated from the operating activities. At the end of the year, the Group held cash and cash equivalents and trade and bills receivables, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	On demand HK\$'000	Within 1 year HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Total contractual cash flow HK\$'000	Carrying amount HK\$'000
<b>As at 31 December 2020</b>						
Trade payables	–	23,006	–	–	23,006	23,006
Accruals and other payables	–	10,533	–	–	10,533	10,533
Lease liabilities	–	4,282	4,466	11,043	19,791	18,715
	–	37,821	4,466	11,043	53,330	52,254
<b>As at 31 December 2019</b>						
Trade payables	–	15,525	–	–	15,525	15,525
Accruals and other payables	–	4,834	–	–	4,834	4,834
Amount due to a related party	404	–	–	–	404	404
Lease liabilities	–	4,694	4,183	10,041	18,918	17,635
	404	25,053	4,183	10,041	39,681	38,398

## Notes to the Consolidated Financial Statements (Continued)

### 3 Financial Risk Management (Continued)

#### 3.2 Capital risk management

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

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

Consistent with others in the industry, the Group also monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'bank borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. The Group's gearing ratio is not presented for both years ended 31 December 2020 and 2019 as the Group has no borrowing for both years.

#### 3.3 Fair value estimation

##### (i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

	Note	2020 HK\$'000	2019 HK\$'000
<b>Level 3</b>			
<b>Recurring fair value measurements</b>			
Financial assets at fair value through profit or loss	19	3,540	–

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers in and out of level 3 measurements see (iii) below.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the year.

## Notes to the Consolidated Financial Statements (Continued)

### 3 Financial Risk Management (Continued)

#### 3.3 Fair value estimation (Continued)

##### (i) Fair value hierarchy (Continued)

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the year. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

##### (ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.



## Notes to the Consolidated Financial Statements (Continued)

### 3 Financial Risk Management (Continued)

#### 3.3 Fair value estimation (Continued)

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the year:

	2020 HK\$'000
Opening balance	–
Acquisitions	3,540
Closing balance	3,540

As at 31 December 2020, the Group had instruments included in level 3 of HK\$3,540,000 (2019: Nil).

As at the end of the year, instruments included in level 3 represent non-guaranteed interest bearing financial product issued by financial institution in the PRC which was classified as financial assets at fair value through profit of loss.

There were no transfers between levels 1, 2 and 3 during the year.

The key unobservable input is the interest rate of the financial product which is determined by the financial institution.

If the interest rate on interest-bearing bank deposits had been 100 basis points higher/lower than the prevailing interest rate, with all other variables held constant, post-tax profit would have been approximately HK\$27,000 higher/lower (2019: nil).

## Notes to the Consolidated Financial Statements (Continued)

### 4 Critical Accounting Estimates and Judgements

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

#### Impairment of receivables

The loss allowances for financial assets measured at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history with the counterparties, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.1(c).

#### Estimation of the fair value of financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3.

#### Recognition of deferred tax asset for carried-forward tax losses and other credits

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax treatment is subject to judgment. If the Group considers it probable that these judgements will result in different tax positions, the most likely amounts of the outcome will be estimated and adjustments to the income tax expense and income tax liabilities will be made accordingly.

The deferred income tax assets include an amount of HK\$1,434,000. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The losses can be carried forward indefinitely and have no expiry date.

## Notes to the Consolidated Financial Statements (Continued)

### 5 Revenue and Segment Information

#### (a) Revenue

The Group is principally engaged in the design, development, manufacture and sale of beauty products, and the design, development and sale of beauty bags. Revenue recognised during the year analysed by type of products is as follows:

	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>		
Sales of beauty products		
– Cosmetic and other products	194,442	209,750
– Hand sanitiser	74,124	–
Sales of beauty bags	19,202	56,665
	<b>287,768</b>	266,415
Timing of revenue recognition:		
At a point in time	<b>287,768</b>	266,415

#### (b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision-maker is identified as executive directors of the Company. The executive directors consider the business from a product perspective and assess the performance of the operating segments based on a measure of gross profit for the purposes of allocating resources. No analysis of segment assets or segment liabilities is regularly provided to the chief operating decision-maker. These reports are prepared on the same basis as these consolidated financial statements.

The management has identified two operating segments based on the types of goods, namely (i) design, development, manufacture and sale of beauty products and (ii) design, development and sale of beauty bags.

## Notes to the Consolidated Financial Statements (Continued)

### 5 Revenue and Segment Information (Continued)

#### (b) Segment information (Continued)

The segment information provided to the chief operating decision-maker are as follows:

	<b>Design, development, manufacture and sale of beauty products</b> HK\$'000	<b>Design, development and sale of beauty bags</b> HK\$'000	<b>Total</b> HK\$'000
<b>For the year ended 31 December 2020</b>			
Segment revenue from external customers	268,566	19,202	287,768
Cost of sales	(183,453)	(12,673)	(196,126)
Gross profit	85,113	6,529	91,642
Other income			4,976
Other losses, net			(3,767)
Administrative expenses			(47,261)
Provision of impairment losses on trade receivables			(1,841)
Selling and distribution expenses			(23,584)
Finance income, net			780
Profit before income tax			20,945
Income tax expense			(2,536)
Profit for the year			18,409
<b>For the year ended 31 December 2019</b>			
Segment revenue from external customers	209,750	56,665	266,415
Cost of sales	(126,117)	(41,448)	(167,565)
Gross profit	83,633	15,217	98,850
Other income			2,564
Other gains, net			6,665
Administrative expenses			(40,226)
Provision of impairment losses on trade receivables			(332)
Selling and distribution expenses			(29,587)
Finance income, net			1,075
Profit before income tax			39,009
Income tax expense			(5,956)
Profit for the year			33,053

## Notes to the Consolidated Financial Statements (Continued)

### 5 Revenue and Segment Information (Continued)

#### (b) Segment information (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Customer A (Design, development, manufacture and sale of beauty products and design, development and sale of beauty bags)	*	39,548
Customer B (Design, development, manufacture and sale of beauty products and design, development and sale of beauty bags)	76,542	55,289
Customer C (Design, development, manufacture and sale of beauty products)	*	56,666
Customer D (Design, development and sale of beauty bags)	*	31,194
Customer E (Design, development, manufacture and sale of beauty products and design, development and sale of beauty bags)	79,355	*

\* The amount of revenue from such customer is less than 10% of the total revenue of that year.

#### (c) Group information

Revenue from external customers by country, based on the location to which the goods were delivered:

	2020 HK\$'000	2019 HK\$'000
United States of America ("USA")	240,846	246,875
Mainland China	10,381	8,635
Mexico	16,470	7,415
Belgium	5,038	–
Canada	3,423	–
United Kingdom	3,560	2,633
Other countries	8,050	857
	287,768	266,415

## Notes to the Consolidated Financial Statements (Continued)

### 5 Revenue and Segment Information (Continued)

#### (d) Revenue recognised in relation to contract liabilities

As at 31 December 2020, contract liabilities amounting to HK\$14,934,000 (2019: HK\$1,496,000).

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2020 HK\$'000	2019 HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,496	1,443

### 6 Other Income

	2020 HK\$'000	2019 HK\$'000
Sample income	1,567	1,034
Government grant ( <i>Note (a)</i> )	2,427	1,530
Employment Support Scheme ( <i>Note (b)</i> )	903	–
Other	79	–
	<b>4,976</b>	2,564

*Note (a):* Government grant mainly represented a grant obtained from the government in Mainland China to subsidise the operating costs of a subsidiary. There were no unfulfilled conditions attached to this grant as at the end of the year.

*Note (b):* Employment Support Scheme represented subsidy granted to the Group by the government in Hong Kong Special Administrative Region. There were no unfulfilled conditions attached to this grant as at the end of the year.

### 7 Other (Losses)/Gains, Net

	2020 HK\$'000	2019 HK\$'000
Exchange (losses)/gains, net	(3,767)	6,680
Loss on disposal of property, plant and equipment	–	(15)
	<b>(3,767)</b>	6,665

## Notes to the Consolidated Financial Statements (Continued)

### 8 Expenses by Nature

The following expenses are included in cost of sales, selling and distribution expenses and administrative expenses:

	2020 HK\$'000	2019 HK\$'000
Raw materials and consumables used	180,118	147,851
Changes in inventories of finished goods and work in progress	(10,754)	2,389
Cost of inventories sold	169,364	150,240
Amortisation of intangible asset (Note 16)	103	115
Auditor's remuneration		
– Audit services	890	900
– Non-audit services in connection with transfer of listing application	–	530
– Other non-audit services	35	35
Employee benefits expenses, excluding benefits and interests of directors (Note 9)	21,369	13,317
Directors' emoluments (Note 10(a))	9,992	7,255
Manpower service costs	17,598	14,912
Depreciation of property, plant and equipment (Note 15(a))	4,959	2,719
Depreciation of right-of-use assets (Note 15(b))	3,986	3,431
Inspection fees	3,196	3,182
Government rent and rates and building management fee	2,453	1,587
Advertising and marketing expenses	1,409	1,992
Travelling and entertainment expenses	1,964	3,212
Freight, transportation and tariff	18,656	20,735
Utility expenses	2,491	1,638
Legal and professional fees	5,971	2,440
Expenses incurred in connection with transfer of listing application, excluding auditor's remuneration	8	3,214
Expense relating to leases of low-value assets (Note 15(b))	–	183
Others	2,527	5,741
Total cost of sales, selling and distribution expenses and administrative expenses	266,971	237,378

## Notes to the Consolidated Financial Statements (Continued)

### 9 Employee Benefit Expenses, Excluding Benefits and Interests of Directors

	2020 HK\$'000	2019 HK\$'000
Salaries, bonuses and allowances	19,829	11,960
Pension costs-defined contribution plan ( <i>Note</i> )	597	409
Other employee benefits	943	948
	<b>21,369</b>	13,317

*Note:* The Group maintains two defined contribution pension schemes for its employees in Hong Kong and Mainland China under the Mandatory Provident Fund ("MPF") and Social Insurance respectively.

Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% of the employee's relevant income, as defined in the Hong Kong Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's contributions are subject to a cap of HK\$1,500 per month. The contributions are fully and immediately vested for the employees. The assets of this scheme are held separately from those of the Group under independently administered funds.

Under the Social Insurance Scheme, the Group is required to make monthly contributions for the employees pursuant to the Mainland China laws and regulations by making contributions to the mandatory social funds which provide basic retirement, medical, work-related injury, maternity and unemployment benefits.



## Notes to the Consolidated Financial Statements (Continued)

### 10 Benefits and Interests of Directors

#### (a) Directors' emoluments

For the year ended 31 December 2020

Name	Fee HK\$'000	Salaries HK\$'000	Other allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Defined contribution pension costs HK\$'000	Total HK\$'000
<b>Executive directors</b>						
Mr. Or Naam, Chief Executive Officer	–	1,235	1,470	1,500	18	4,223
Ms. Chan	–	1,105	–	1,500	18	2,623
Mr. Or Huen	–	1,148	–	1,500	18	2,666
<b>Independent non-executive directors</b>						
Mr. Tan Chong Huat	160	–	–	–	–	160
Mr. Sung Chi Keung	160	–	–	–	–	160
Mr. Wong, Irving Holmes Weng Hoong	100	–	–	–	–	100
Mr. Hui Ha Lam	60	–	–	–	–	60
	480	3,488	1,470	4,500	54	9,992

For the year ended 31 December 2019

Name	Fee HK\$'000	Salaries HK\$'000	Other allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Defined contribution pension costs HK\$'000	Total HK\$'000
<b>Executive directors</b>						
Mr. Or Naam, Chief Executive Officer	–	1,235	1,488	500	18	3,241
Ms. Chan	–	1,105	–	500	18	1,623
Mr. Or Huen	–	1,153	–	500	18	1,671
<b>Independent non-executive directors</b>						
Mr. Tan Chong Huat	240	–	–	–	–	240
Mr. Sung Chi Keung	240	–	–	–	–	240
Mr. Wong, Irving Holmes Weng Hoong	240	–	–	–	–	240
	720	3,493	1,488	1,500	54	7,255

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2019: same).

## Notes to the Consolidated Financial Statements (Continued)

### 10 Benefits and Interests of Directors (Continued)

#### (b) Directors' retirement benefits and termination benefits

Save as disclosed in note 10(a), the directors did not receive any other retirement benefits or termination benefits during the year (2019: nil).

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

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2019: nil).

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

As at the end of the year, there are no loans, quasi-loans and other dealing arrangements in favour of directors, their controlled bodies corporate and connected entities (2019: nil).

#### (e) Director's material interests in transactions, arrangements or contracts

Save as disclosed in note 31, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group 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 (2019: nil).

#### (f) Five highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the year include 3 (2019: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2019: 2) individuals during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, other allowances and benefits	842	1,422
Pension cost – defined contribution plan	36	35
	878	1,457

## Notes to the Consolidated Financial Statements (Continued)

### 10 Benefits and Interests of Directors (Continued)

#### (f) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands		
Nil to HK\$1,000,000	2	1
HK\$1,500,001 to HK\$2,000,000	–	1

No directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or compensation for loss of office.

### 11 Finance Income, net

	2020	2019
	HK\$'000	HK\$'000
<b>Finance income</b>		
Bank interest income	1,096	1,445
<b>Finance cost</b>		
Finance cost related to leases ( <i>Note 15(b)</i> )	(316)	(370)
<b>Finance income, net</b>	<b>780</b>	1,075

## Notes to the Consolidated Financial Statements (Continued)

### 12 Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year. Corporate income tax on profits from subsidiaries operating in Mainland China have been calculated at 25% (2019: 25%) in accordance with the relevant Mainland China tax laws and regulations, except that Cosbe Laboratory Inc, a wholly owned subsidiary, was granted the High and New Technology Enterprise status in December 2019, being valid for 3 years, and therefore it is entitled to a preferential tax rate of 15%. No overseas profits tax has been calculated for subsidiaries of the Group that are incorporated in the BVI or the Cayman Islands as they have no assessable income (2019: nil).

Income tax expense charged to the consolidated income statement represents:

	2020 HK\$'000	2019 HK\$'000
Current tax	2,600	5,535
Deferred income tax ( <i>Note 27</i> )	27	148
(Over)/under provision in prior year	(91)	273
	<b>2,536</b>	5,956

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate in Hong Kong as follows:

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	20,945	39,009
Tax calculated at a tax rate of 16.5% (2019: 16.5%)	3,455	6,436
Effect of different taxation rates in another jurisdiction	(165)	(12)
Income not subject to tax	(537)	(516)
Expenses not deductible for tax purpose	39	17
(Over)/under provision in prior year	(91)	273
Tax credit in Mainland China	–	(77)
Tax concession under two-tiered profits tax rates regime in Hong Kong	(165)	(165)
Income tax expense	<b>2,536</b>	5,956

## Notes to the Consolidated Financial Statements (Continued)

### 12 Income Tax Expense (Continued)

For the tax assessment years ended 31 March 2020 and 2021, Hong Kong profits tax is levied at progressive rate at 8.25% on the estimated assessable profits arising in or derived from Hong Kong for the year below HK\$2,000,000, and thereafter at a fixed rate at 16.5% (2019: 16.5%).

### 13 Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

	2020	2019
Profit attributable to owners of the Company (in HK\$'000)	18,409	33,053
Weighted average number of ordinary shares for the purpose of basic earnings per share	400,000,000	400,000,000
Basic earnings per share attributable to the ordinary equity holders of the Company (in HK cents)	4.6	8.3

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares.

## Notes to the Consolidated Financial Statements (Continued)

### 14 Subsidiaries

The Group's principal subsidiaries at the end of the year are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of entity	Place of incorporation and kind of legal entity	Date of incorporation	Principal activities	Issued and paid up capital	Attributable effective equity interest to the Company as at 31 December	
					2020	2019
<b>Directly held</b>						
Alpha Business Global Limited	British Virgin Islands, limited liability company	10 January 2017	Investment holding	US\$1	100%	100%
<b>Indirectly held</b>						
Full Colour Development Limited	British Virgin Islands, limited liability company	4 January 2017	Investment holding	US\$1	100%	100%
Dawning Beauty Limited	British Virgin Islands, limited liability company	30 August 2016	Investment holding	US\$1	100%	100%
Takbo Limited ("Takbo")	Hong Kong, limited liability company	20 December 1994	Design, development and sale of beauty products and beauty bags	HK\$10,000	100%	100%
B&B (H.K) Limited ("B&B")	Hong Kong, limited liability company	9 April 1999	Investment holding	HK\$2	100%	100%
Cosbe Laboratory Inc. <sup>#</sup> (廣東一美化妝品有限公司)	China, limited liability company (Note)	28 June 2002	Design, development, manufacture and sale of beauty products	RMB32,000,000	100%	100%

Note: Cosbe Laboratory Inc. is a limited liability company established in Shantou, Mainland China for a term of 36 years up to 27 June 2038.

<sup>#</sup> The English name is for identification purpose only.

## Notes to the Consolidated Financial Statements (Continued)

### 15 Property, Plant and Equipment, Right-of-Use Assets and Lease Liabilities

#### (a) Property, Plant and Equipment

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
As at 1 January 2019						
Cost	5,681	13,218	11,114	3,214	18,043	51,270
Accumulated depreciation	(4,057)	(10,306)	(8,486)	(2,872)	–	(25,721)
Net book amount	1,624	2,912	2,628	342	18,043	25,549
Year ended 31 December 2019						
Opening net book amount	1,624	2,912	2,628	342	18,043	25,549
Exchange differences	(1,251)	(376)	(74)	9	(1,848)	(3,540)
Additions	2,839	6,548	571	120	14,470	24,548
Disposal	–	–	–	(25)	–	(25)
Transfer	30,665	–	–	–	(30,665)	–
Depreciation charge (Note 8)	(1,707)	(615)	(301)	(96)	–	(2,719)
Closing net book amount	32,170	8,469	2,824	350	–	43,813
As at 31 December 2019						
Cost	37,885	18,927	11,488	3,291	–	71,591
Accumulated depreciation	(5,715)	(10,458)	(8,664)	(2,941)	–	(27,778)
Net book amount	32,170	8,469	2,824	350	–	43,813
Year ended 31 December 2020						
Opening net book amount	32,170	8,469	2,824	350	–	43,813
Exchange differences	978	338	74	15	–	1,405
Additions	550	4,486	373	–	–	5,409
Depreciation charge (Note 8)	(4,240)	(344)	(352)	(23)	–	(4,959)
Closing net book amount	29,458	12,949	2,919	342	–	45,668
As at 31 December 2020						
Cost	38,446	24,229	12,061	3,323	–	78,059
Accumulated depreciation	(8,988)	(11,280)	(9,142)	(2,981)	–	(32,391)
Net book amount	29,458	12,949	2,919	342	–	45,668

## Notes to the Consolidated Financial Statements (Continued)

### 15 Property, Plant and Equipment, Right-of-Use Assets and Lease Liabilities (Continued)

#### (a) Property, Plant and Equipment (Continued)

During the year, depreciation expenses of approximately HK\$3,786,000 (2019: HK\$1,672,000) has been charged in “cost of sales” and approximately HK\$1,173,000 (2019: HK\$1,047,000) have been charged in “administrative expenses”.

During the year, no depreciation of right-of-use assets has been capitalised on construction in progress (2019: depreciation capitalised of right-of-use assets of approximately HK\$787,000).

#### (b) Right-of-use Assets and Lease Liabilities

This note provides information for leases where the Group is a lessee.

##### (i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	<b>31 December 2020 HK\$'000</b>	31 December 2019 HK\$'000
<b>Right-of-use assets</b>		
Buildings	<b>18,278</b>	17,400
	<b>18,278</b>	17,400
<b>Lease liabilities</b>		
Current	<b>3,944</b>	4,380
Non-current	<b>14,771</b>	13,255
	<b>18,715</b>	17,635

Additions to the right-of-use assets during the 2020 financial year were HK\$4,864,000 (2019: nil).



## Notes to the Consolidated Financial Statements (Continued)

### 15 Property, Plant and Equipment, Right-of-Use Assets and Lease Liabilities (Continued)

#### (b) Right-of-use Assets and Lease Liabilities (Continued)

##### (ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Notes	2020 HK\$'000	2019 HK\$'000
Depreciation charge of right-of-use assets – buildings	8	3,986	3,431
Amounts capitalized on construction in progress		–	787
<b>Total depreciation</b>		<b>3,986</b>	4,218
Interest expense (included in finance cost)	11	316	370
Expense relating to leases of low-value assets (included in administrative expenses)	8	–	183

The cash outflow for lease liabilities in 2020 was HK\$4,100,000 (2019: HK\$4,353,000).

##### (iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, factory and residential premises. Rental contracts are typically made for fixed periods of 2 years to 10 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the rental deposits in the leased assets that are held by the lessor. Leased assets were not be used as security for borrowing purposes.

##### (iv) There are no variable lease payments contained in the leases.

## Notes to the Consolidated Financial Statements (Continued)

### 16 Intangible Asset

	<b>Computer software</b> HK\$'000
<hr/>	
As at 1 January 2019	
Cost	755
Accumulated amortisation	(399)
<hr/>	
Net book amount	356
<hr/>	
Year ended 31 December 2019	
Opening net book amount	356
Exchange differences	(15)
Additions	130
Amortisation ( <i>Note 8</i> )	(115)
<hr/>	
Closing net book amount	356
<hr/>	
As at 31 December 2019	
Cost	848
Accumulated amortisation	(492)
<hr/>	
Net book amount	356
<hr/>	
Year ended 31 December 2020	
Opening net book amount	356
Exchange differences	11
Additions	–
Amortisation ( <i>Note 8</i> )	(103)
<hr/>	
Closing net book amount	264
<hr/>	
As at 31 December 2020	
Cost	886
Accumulated depreciation	(622)
<hr/>	
Net book amount	264
<hr/>	

## Notes to the Consolidated Financial Statements (Continued)

### 16 Intangible Asset (Continued)

During the year, amortisation expenses of the Group's computer software of approximately HK\$103,000 (2019: HK\$115,000) have been charged to "administrative expenses".

### 17 Inventories

	2020 HK\$'000	2019 HK\$'000
Raw materials	564	945
Work in progress	1,500	1,074
Finished goods	15,416	5,545
	<b>17,480</b>	7,564

The cost of inventories included in cost of sales during the year amounted to approximately HK\$169,364,000 (2019: HK\$150,240,000).

### 18 Financial Instruments by Category

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets</b>		
Financial assets at fair value through profit or loss	3,540	–
<i>Financial assets at amortised cost</i>		
Trade and bills receivables	82,508	55,465
Deposits and other receivables	6,052	4,772
Amount due from a related party	137	332
Cash and cash equivalents	119,028	114,244
	<b>207,725</b>	174,813
	<b>211,265</b>	174,813
<b>Financial liabilities</b>		
<i>Other financial liabilities at amortised cost</i>		
Trade payables	23,006	15,525
Accruals and other payables	10,533	4,834
Amount due to a related party	–	404
Lease liabilities	18,715	17,635
	<b>52,254</b>	38,398

## Notes to the Consolidated Financial Statements (Continued)

### 19 Financial Asset at Fair Value Through Profit or Loss

	2020 HK\$'000	2019 HK\$'000
Current portion	3,540	–

The fair value of financial assets at fair value through profit or loss are within level 3 of fair value hierarchy (Note 3.3).

### 20 Trade and Bills Receivables

	2020 HK\$'000	2019 HK\$'000
Trade receivables	85,681	57,888
Bills receivables	1,091	–
Less: loss allowance	86,772 (4,264)	57,888 (2,423)
	<b>82,508</b>	55,465

Trade and bills receivables represent income receivable from customers. The credit terms granted by the Group generally ranged between 30 to 120 days (2019: 30 to 120 days).

As at the end of the year, the ageing analysis of gross trade and bills receivables based on invoice dates is as follows:

	2020 HK\$'000	2019 HK\$'000
1 to 30 days	18,777	21,555
31 to 60 days	17,400	2,601
61 to 90 days	11,095	11,081
91 to 120 days	14,915	13,225
121 to 150 days	13,950	5,093
151 to 180 days	334	316
Over 181 days	10,301	4,017
	<b>86,772</b>	57,888

## Notes to the Consolidated Financial Statements (Continued)

### 20 Trade and Bills Receivables (Continued)

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing.

The loss allowance increased by a further HK\$1,841,000 to HK\$4,264,000 for trade receivables during the year.

Information about the impairment of trade and bills receivables, the calculation of the allowances and the Group's exposure to credit risk can be found in note 3.1(c).

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

	2020 HK\$'000	2019 HK\$'000
At 1 January	2,423	2,184
Net impairment losses on trade receivables during the year	1,841	332
Exchange differences	–	(93)
At 31 December	4,264	2,423

The maximum exposure to credit risk is the carrying amounts of trade and bills receivables and the Group does not hold any collateral as security. The carrying amounts of trade and bills receivables approximate their fair values as at the end of the year and are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
US\$	78,437	54,847
RMB	4,071	618
	82,508	55,465

## Notes to the Consolidated Financial Statements (Continued)

### 21 Prepayments, Deposits and Other Receivables

	2020 HK\$'000	2019 HK\$'000
Rental, utilities and other deposits	196	94
Prepayments	6,471	7,377
Other receivables	7,591	6,526
	<b>14,258</b>	13,997
Less non-current portion:		
Prepayments	<b>(4,021)</b>	(4,142)
Current portion	<b>10,237</b>	9,855

The carrying amounts of prepayments, deposits and other receivables as at the end of the year are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	227	103
US\$	412	88
RMB	13,619	13,806
	<b>14,258</b>	13,997

The carrying amounts of deposits and other receivables approximate their fair values as at the end of the year.

## Notes to the Consolidated Financial Statements (Continued)

### 22 Cash and Cash Equivalents

	2020 HK\$'000	2019 HK\$'000
Cash on hand	28	12
Cash at bank	92,780	25,074
Short-term bank deposits	26,220	89,158
Cash and cash equivalents	119,028	114,244

Cash and cash equivalents are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	23,132	24,633
US\$	73,489	80,566
RMB	22,375	9,014
Others	32	31
	119,028	114,244

As at 31 December 2020, approximately HK\$22,142,000 (2019: HK\$8,651,000) of the Group's cash and cash equivalents placed with banks in Mainland China were denominated in RMB, which are subject to foreign exchange control regulations of Mainland China.

### 23 Share Capital and Share Premium

Authorised share capital	Number of ordinary share	Nominal value of ordinary share HK\$'000	
As at 31 December 2019 and 31 December 2020	10,000,000,000	100,000	
Issued and fully paid	Number of ordinary share	Nominal value of ordinary share HK\$'000	Share premium HK\$'000
As at 31 December 2019 and 31 December 2020	400,000,000	4,000	56,188

## Notes to the Consolidated Financial Statements (Continued)

### 24 Other Reserves

#### (a) Capital and other reserves

Capital and other reserves of the Group include the excess of the aggregate net assets values of the subsidiaries acquired by the Company over the nominal consideration payable by the Group for the acquisition of subsidiaries pursuant to the reorganisation in relation to the Listing of the Company in 2017.

#### (b) Statutory reserve

Under the relevant Mainland China laws and regulations, Mainland China companies are required to allocate 10% of the companies' net profit to the fund until such fund reaches 50% of the companies' registered capital. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset against accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital.

### 25 Trade Payables

The ageing analysis of the trade payables based on invoice dates as at the end of the year is as follows:

	2020 HK\$'000	2019 HK\$'000
1 to 30 days	11,672	5,751
31 to 60 days	5,244	4,413
61 to 90 days	3,759	737
91 to 120 days	1,402	2,684
121 to 180 days	929	1,939
181 to 365 days	—	1
	<b>23,006</b>	15,525

The carrying amounts of trade payables approximate their fair values as at the end of the year are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	3,544	34
RMB	19,462	15,491
	<b>23,006</b>	15,525



## Notes to the Consolidated Financial Statements (Continued)

### 26 Accruals, Provisions and Other Payables

	2020 HK\$'000	2019 HK\$'000
<b>Non-current portion</b>		
Provision for long service payments	393	393
<b>Current portion</b>		
Accrued expenses	16,339	5,727
Other payables	9,008	4,836
	<b>25,347</b>	10,563
Total accruals, provisions and other payables	<b>25,740</b>	10,956

The carrying amounts of accruals, provisions and other payables as at the end of the year are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	8,738	2,105
US\$	11,238	1,156
RMB	5,764	7,695
	<b>25,740</b>	10,956

The carrying amounts of accruals and other payables approximate their fair values as at the end of the year.

## Notes to the Consolidated Financial Statements (Continued)

### 27 Deferred Income Tax

The analysis of deferred income tax assets is as follows:

	2020 HK\$'000	2019 HK\$'000
Deferred income tax assets		
– to be recovered after more than 12 months	1,434	1,086

The gross movement on the deferred income tax account is as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	1,086	1,249
Recognised in the consolidated income statement ( <i>Note 12</i> )	(27)	(148)
Exchange differences	375	(15)
Deferred income tax assets	1,434	1,086

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Decelerated tax depreciation HK\$'000	Provisions HK\$'000	Total HK\$'000
As at 1 January 2019	52	1,197	1,249
Charged to the consolidated income statement	(19)	(129)	(148)
Exchange differences	–	(15)	(15)
As at 31 December 2019 and 1 January 2020	33	1,053	1,086
Charged to the consolidated income statement	–	(27)	(27)
Exchange differences	–	375	375
As at 31 December 2020	33	1,401	1,434

As at the end of the year, deferred income tax liabilities of approximately HK\$2,591,000 (2019: HK\$1,386,000) have not been recognised for the withholding tax that would be payable on the unremitted retained earnings of the Group's subsidiaries in the Mainland China amounting to approximately HK\$25,912,000 (2019: HK\$13,861,000).

## Notes to the Consolidated Financial Statements (Continued)

### 28 Cash Generated from Operations

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	20,945	39,009
Adjustments for:		
Depreciation of property, plant and equipment	4,959	2,719
Depreciation of right-of-use assets	3,986	3,431
Amortisation of intangible asset	103	115
Net impairment losses on trade receivables	1,841	332
Loss on disposal of property, plant and equipment	–	15
Finance income	(1,096)	(1,445)
Finance costs related to leases	316	370
Foreign exchange difference on operating activities	(2,068)	(1,308)
Operating profit before working capital changes	28,986	43,238
Changes in working capital:		
Inventories	(6,284)	1,733
Trade and bills receivables	(29,056)	(20,802)
Prepayments, deposits and other receivables	(958)	(3,876)
Related companies balances	(209)	(248)
Trade payables	6,656	6,253
Accruals, provisions and other payables	15,028	4,009
Contract liabilities	13,438	53
Cash generated from operations	27,601	30,360

Reconciliation of liabilities arising from financing activities:

	Non-cash changes					Cash flows HK\$'000	31 December HK\$'000
	1 January HK\$'000	Upon adoption of HKFRS 16 HK\$'000	Addition HK\$'000	Finance costs HK\$'000	Cash flows HK\$'000		
<b>For the year ended 31 December 2020</b>							
Lease liabilities	17,635	–	4,864	316	(4,100)	18,715	
<b>For the year ended 31 December 2019</b>							
Lease liabilities	–	21,618	–	370	(4,353)	17,635	

## Notes to the Consolidated Financial Statements (Continued)

### 29 Contingencies

As at the end of the year, the Group did not have any significant contingent liabilities (2019: the Group did not have any significant contingent liabilities).

### 30 Commitments

#### Capital commitments

Significant capital expenditure contracted for at the end of the year but not recognised as liabilities is as follows:

	2020 HK\$'000	2019 HK\$'000
Property, plant and equipment	2,671	6,748

### 31 Related Party Transactions

The Group is controlled by Classic Charm Investments Limited (incorporated in British Virgin Islands), which is the ultimate holding company of the Group and owns 75% of the Company's shares. The remaining 25% of the shares are widely held. The Controlling Shareholders of the Group are Mr. Or Naam, Ms. Chu and Ms. Chan.

The directors of the Group are of the view that the following individuals and companies were related parties that had transactions or balances with the Group as at and during the year:

Name of related party	Relationship with the Group
Mr. Or Tak Ming	Spouse of Ms. Chu
Mr. Or Huen	Brother of Mr. Or Naam and son of Mr. Or Tak Ming and Ms. Chu
Ms. Li Chen	Spouse of Mr. Or Huen
Chapmont Limited	Controlled by Ms. Chu and Mr. Or Tak Ming
Sky Choice Development Limited	Controlled by Mr. Or Naam and Ms. Chu
Smart Path Development Limited	Controlled by Mr. Or Naam and Ms. Chan
Max Choice Limited	Controlled by Ms. Chan
Tak Bo Hong	Controlled by Ms. Chu and Mr. Or Tak Ming
Tak Bo Hong Company Limited	Controlled by Mr. Or Naam and Ms. Chu
Shantou Baoma Processing Complex Company Limited# (汕頭寶馬工藝製品廠有限公司)	Controlled by Ms. Chu and Mr. Or Tak Ming, spouse of Ms. Chu Siu Fong

# The English name is for identification purpose only.

## Notes to the Consolidated Financial Statements (Continued)

### 31 Related Party Transactions (Continued)

Other than those transactions and balances disclosed elsewhere in these financial statements, the following transactions were carried out with related parties during the year:

#### (a) Transactions with related parties

The following transactions were undertaken by the Group with relate parties during the year:

	2020 HK\$'000	2019 HK\$'000
Continuing transactions:		
Shantou Baoma Processing Complex Company Limited		
– Purchases	1,230	9,628
– Utility expenses	1,895	1,013
– Lease payments	1,803	2,167
Sky Choice Development Limited		
– Lease payments	1,078	1,078
Smart Path Development Limited		
– Lease payments	1,000	1,200
– Addition of right-of-use assets	3,459	–
Ms. Li Chen		
– Employee benefits expenses	137	133

All of the above transactions with related parties were conducted based on the terms mutually agreed between the relevant parties.

## Notes to the Consolidated Financial Statements (Continued)

### 31 Related Party Transactions (Continued)

#### (b) Key management compensation

Key management personnel are deemed to be the members of the executive directors of the Company who have responsibility for the planning, directing and controlling the activities of the Group.

The compensation paid or payable to key management personnel for employee services period is shown below:

	2020 HK\$'000	2019 HK\$'000
Salaries and bonuses	7,988	4,993
Other allowances and benefits in kind	1,470	1,488
Defined contribution pension costs	54	54
	<b>9,512</b>	6,535

#### (c) Amount due from/(to) a related party

	2020 HK\$'000	2019 HK\$'000
Amount due from a related party		
– Shantou Baoma Processing Complex Company Limited ( <i>Note i</i> )	137	332
Amount due to a related party		
– Shantou Baoma Processing Complex Company Limited ( <i>Note i</i> )	–	(404)
	<b>137</b>	(72)

As at 31 December 2019 and 2020, there were no impairment for the amount due from a related party, as the amounts have not past due and they have no history of default in payment.

*Note:*

- (i) The balances were trade in nature, unsecured, interest-free and repayable on demand.

## Notes to the Consolidated Financial Statements (Continued)

### 31 Related Party Transactions (Continued)

#### (c) Amount due from/(to) a related party (Continued)

The carrying amount of amount due from/(to) a related party approximated its fair value. The balances were denominated in the following currency:

	2020 HK\$'000	2019 HK\$'000
RMB	137	332
US\$	–	(404)
	137	(72)

## Notes to the Consolidated Financial Statements (Continued)

### 32 Balance Sheet and Reserve Movement of the Company

#### Balance sheet of the Company

	Notes	2020 HK\$'000	2019 HK\$'000
<b>ASSET</b>			
<b>Non-current asset</b>			
Investment in a subsidiary		84,836	84,836
<b>Current assets</b>			
Amounts due from subsidiaries		23,680	23,680
Cash and cash equivalents		19,523	19,300
		<b>43,203</b>	42,980
<b>Total assets</b>		<b>128,039</b>	127,816
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	23	4,000	4,000
Share premium	(a)	141,034	141,034
Accumulated losses	(a)	(17,000)	(17,223)
<b>Total equity</b>		<b>128,034</b>	127,811
<b>Current liability</b>			
Amounts due to subsidiaries		5	5
<b>Total liability</b>		<b>5</b>	5
<b>Total equity and liability</b>		<b>128,039</b>	127,816

The balance sheet of the Company was approved by the Board of Directors on 19 March 2021 and was signed on its behalf.

Or Naam  
Director

Chan Hoi Yan, Polly  
Director



## Notes to the Consolidated Financial Statements (Continued)

### 32 Balance Sheet and Reserve Movement of the Company (Continued)

#### (a) Reserve movement of the Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>As at 1 January 2019</b>	141,034	(17,726)	123,308
Profit for the year	–	503	503
<b>As at 31 December 2019</b>	141,034	(17,223)	123,811
Profit for the year	–	223	223
<b>As at 31 December 2020</b>	141,034	(17,000)	124,034

## Five Years Financial Summary

<b>RESULTS</b>	<b>2020</b>	2019	2018	2017	2016
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<b>287,768</b>	266,415	258,782	179,369	165,098
Profit before income tax	<b>20,945</b>	39,009	39,009	9,702	17,130
Income tax expenses	<b>(2,536)</b>	(5,956)	(6,760)	(4,232)	(3,470)
Profit attributable to the owners of the Company for the year	<b>18,409</b>	33,053	32,249	5,470	13,660
Total comprehensive income attributable to the owners of the Company for the year	<b>21,508</b>	30,506	31,443	6,455	12,361
Total assets	<b>304,854</b>	254,257	189,706	154,341	147,959
Total liabilities	<b>82,395</b>	53,306	19,261	15,339	66,660
Net assets	<b>222,459</b>	200,951	170,445	139,002	81,299
Equity attributable to owners of the Company	<b>222,459</b>	200,951	170,445	139,002	81,299