Miji International Holdings Limited
米技國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock code : 1715

Miji
Joy in the kitchen

Annual Report 2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Madam Maeck Can Yue
(Chairperson and Chief Executive Officer)
Mr. Walter Ludwig Michel

Independent Non-executive Directors

Mr. Wang Shih-fang
Mr. Yan Chi Ming
Mr. Hooi Hing Lee

COMMITTEES OF THE BOARD

Audit Committee

Mr. Hooi Hing Lee *(Chairperson)*
Mr. Wang Shih-fang
Mr. Yan Chi Ming

Remuneration Committee

Mr. Yan Chi Ming *(Chairperson)*
Mr. Wang Shih-fang
Mr. Hooi Hing Lee

Nomination Committee

Madam Maeck Can Yue *(Chairperson)*
Mr. Wang Shih-fang
Mr. Hooi Hing Lee

COMPANY SECRETARY

Ms. Ho Wing Yan

AUTHORISED REPRESENTATIVES

Madam Maeck Can Yue
Ms. Ho Wing Yan

COMPLIANCE ADVISOR

Dakin Capital Limited
Suites 4505–06
45/F, Tower 1, Lippo Centre
89 Queensway
Hong Kong

AUDITORS

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE IN THE PRC

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Caohejing Hi-tech Park
Shanghai
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 6–8 Harbour Road
Wan Chai
Hong Kong

PRINCIPAL BANKS

Bank of China
Shanghai Rural Commercial Bank
China Construction Bank Corporation
DBS Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Hong Kong

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Cayman Islands

Estera Trust (Cayman) Limited
PO Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

STOCK NAME

MIJI INTL HLDGS

STOCK CODE

1715

WEBSITE

www.mijiholdings.com

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December			
	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**281,690**	255,384	228,092	216,750
Cost of sales	**(131,890)**	(118,879)	(117,675)	(113,611)
Gross profit	**149,800**	136,505	110,417	103,139
Profit before income tax	**28,424**	26,815	27,959	21,501
Net profit for the year	**23,687**	21,081	24,082	18,300
Attributable to:				
– Owners of the Company	**22,404**	20,394	23,896	17,523
– Non-controlling interests	**1,283**	687	186	777
	23,687	21,081	24,082	18,300

ASSETS AND LIABILITIES

	As at 31 December			
	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**268,069**	181,653	120,221	126,638
Total liabilities	**(93,316)**	(113,143)	(86,820)	(97,897)
	174,753	68,510	33,401	28,741
Equity attributable to owners of the Company	**171,008**	63,863	28,132	24,188
Non-controlling interests	**3,745**	4,647	5,269	4,553
	174,753	68,510	33,401	28,741

Notes:

(a) The financial figures for the year ended/as at 31 December 2018 were extracted from the consolidated financial statements in this annual report.

(b) The financial figures for each of the three years ended 31 December 2017/as at the respective year-end were extracted from the prospectus dated 29 June 2018 (the "Prospectus").

The summary above does not form part of the audited consolidated financial statements.

CHAIRPERSON'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Miji International Holdings Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 (the "Reporting Period") to the shareholders of the Company.

BUSINESS REVIEW

The Company achieved an important milestone in 2018. Shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2018 (the "Listing Date"). The successful listing is crucial for the Company's ongoing business development and also enhances its corporate reputation.

Economic growth of the People's Republic of China (the "PRC") held steady, amid the escalating trade war between the PRC and the United States. With rapidly growing purchasing power over the past few years, consumers in the PRC are pursuing better quality of life. These favourable macroeconomic factors together with the rapid development of online platforms supported the sales of kitchen appliances in the PRC. During the Reporting Period, the Group continued to maintain its leading position in the premium radiant stove market by developing new products that suit the needs of consumers and expanding its sales channels. As part of the expansion plan, the Group established 2 showrooms in Shanghai and Beijing. As at 31 December 2018, the Group's sales network comprised 73 consignment stores generating direct sales revenue to the Group and 70 physical sales locations operated by distributors in 49 cities across 25 provinces, municipalities, autonomous regions and special regions in China. In addition to sales through physical stores, the Group also had 15 distributors for online platforms and one distributor for television platform. During the Reporting Period, the Group recorded 10.3% increment in its sales revenue and 12.4% increment in its net profit as compared with the year ended 31 December 2017.

Highlights of the audited results of the Group for the Reporting Period, as compared to the year ended 31 December 2017, are shown in the following table:

	Year ended 31 December	
	2018	2017
Revenue (RMB'000)	**281,690**	255,384
Net profit for the year (RMB'000)	**23,687**	21,081
Earnings per share		
– Basic (RMB cents)	**1.73**	1.81
– Diluted (RMB cents)	**1.73**	1.81

CHAIRPERSON'S STATEMENT

OUTLOOK AND STRATEGY

Going forward, the Group's business growth will be driven by (i) an expanding base of middle-class consumers; (ii) increasing adoption of western-style kitchen appliances and stronger health awareness; (iii) expanding online and offline channels; and (iv) increasing demand for well-decorated units in the PRC.

According to the research report prepared by China Insights Consultancy Limited, it is expected that the retail sales value of premium radiant stoves is expected to increase from RMB1,312.1 million in 2018 to RMB2,434.3 million in 2022, representing a CAGR of 16.7%.

In order to capture the potential market opportunities, the Group will continue to focus on the research and development of premium kitchen appliances, the expansion of its sales channels, and the devotion of more resources on marketing activities to promote its brand and products. The Group also seeks opportunities to cooperate with other famous kitchenware brands. During the year ended 31 December 2018, the Group entered into an exclusive distributor agreement with a wholly-owned company of a Japanese company with over 100 years of history specialising in the sales and marketing of cutlery and kitchen utensils. Through this business cooperation, the Directors believe that it can enhance the Company's brand recognition and expand its sales distribution network in Hong Kong and Macau. The first physical sales location in relation to the aforesaid distributor agreement was set up in a Japanese-style department store in Causeway Bay in early 2019.

Along with the Group's business growth, Miji Electronics and Appliances (Shanghai) Ltd., the Company's principal operating subsidiary entered into a sale and purchase agreement with a PRC property developer, for the purchase of a commercial property in January 2019. This commercial property is located in Shanghai and it is intended for marketing purpose and office use. Details of the purchase of this commercial property were announced by the Company on 25 January 2019. The Group has implemented appropriate business strategies for its future development.

GRATITUDE

On behalf of the Company, I would like to express my sincere gratitude to our valued shareholders, customers, suppliers, banks and to our management and employees for their continuous trust and support to the Group. The coming year will be full of opportunities and challenges and we will strive our best to create greater value for our shareholders and investors.

By order of the Board
Madam Maeck Can Yue
Chairperson

Hong Kong, 18 March 2019

BUSINESS OVERVIEW

The Group develops, manufactures and sells premium kitchen appliances to middle-class and upper-middle class customers. According to the research report prepared by China Insights Consultancy Limited, the Group was the largest premium radiant stove manufacturer and supplier in the PRC in 2017 in terms of the retail sales value of the PRC's premium radiant stove market.

The Group's products mainly include radiant and induction hobs and stoves. Its core brands are "Miji Design" (德國米技), "Miji Home" (米技生活) and "Miji Pro" (米技商用). For the manufacturing of its hobs and stoves, the Group has two factories located in Shanghai, the PRC and one production workshop in Germany with an aggregate gross floor area of approximately 9,100 sq.m. All of the Group's hobs and stoves comply with the relevant safety standards and mandatory registration requirements in the PRC and Germany.

The Group's products are mainly sold in the PRC. The Group distributes its products across the PRC through various sales channels comprising mainly distributors, consignment sales, television platforms, online platforms and corporate clients. It also sells some products in Germany through Amazon Germany.

For the Reporting Period, the Group's revenue increased by approximately 10.3% to RMB281.7 million as compared with RMB255.4 million for the year ended 31 December 2017. The Group's profit for the Reporting Period also increased by approximately 12.4% to RMB23.7 million as compared with RMB21.1 million for the year ended 31 December 2017.

FINANCIAL REVIEW

Revenue

Revenue by product categories

The Group derives its revenue from the sales of (i) radiant hobs and stoves; (ii) induction hobs and stoves; (iii) pots and pans; and (iv) other small kitchen appliances and kitchen cabinets. Radiant hobs and stoves is the Group's major product type, contributing over 75% of our total revenue for the Reporting Period. The Group's total revenue for the Reporting Period amounted to approximately RMB281.7 million.

Set out below is a breakdown of revenue by product categories for the Reporting Period:

	Year ended 31 December			
	2018		2017	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Hobs and stoves (Radiant)	**218,318**	**77.5**	202,890	79.4
Hobs and stoves (Induction)	**19,678**	**7.0**	18,804	7.4
Pots and pans	**26,787**	**9.5**	20,079	7.9
Others (Note)	**16,907**	**6.0**	13,611	5.3
Total	**281,690**	**100.0**	255,384	100.0

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

Revenue by geographical regions

During the Reporting Period, the Group's revenue was substantially derived in the PRC.

Revenue by sales channels

The Group sells its products through various channels, mainly including its consignment stores, sales to corporate clients, sales from television platforms and online platform and physical sales locations operated by the Group's distributors. Set out below is a breakdown of revenue by sales channels for the Reporting Period:

	Year ended 31 December			
	2018		2017	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Direct Sales				
Consignment stores	**50,716**	**18.0**	56,065	22.0
Corporate clients	**26,622**	**9.5**	36,979	14.5
Television platforms	**100,920**	**35.8**	59,115	23.1
Subtotal	**178,258**	**63.3**	152,159	59.6
Distributors				
Online platform	**76,202**	**27.1**	71,765	28.1
Physical sales locations	**20,781**	**7.4**	23,809	9.3
Television platforms	**6,449**	**2.2**	7,651	3.0
Subtotal	**103,432**	**36.7**	103,225	40.4
Total	**281,690**	**100.0**	255,384	100.0

During the Reporting Period, the Group's direct sales revenue from television platform increased by 70.7% to approximately RMB100.9 million from approximately RMB59.1 million for the year ended 31 December 2017. The significant increment was mainly driven by the launch of products on more television platforms for sale. The Directors believe that the recognition of the corporate image and products can be enhanced by increasing the number of television platforms that distributes the Group's products, which will in turn increase its sales revenue. As at 31 December 2018, the Group had six more television platforms that distribute its products as compared with 31 December 2017. Further, the Group also rolled out new products and offered more kitchen appliance package options to cater various needs of the customers of the television platforms.

Gross profit and gross profit margin

The Group recorded gross profit margin of 53.2% for the Reporting Period as compared with 53.5% for the year ended 31 December 2017. Set out below is a breakdown of gross profit and gross profit margin by product categories for the Reporting Period:

	Year ended 31 December			
	2018		2017	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Hobs and stoves (Radiant)	**116,620**	**53.4**	108,228	53.3
Hobs and stoves (Induction)	**10,584**	**53.8**	10,186	54.2
Pots and pans	**13,929**	**52.0**	10,954	54.6
Others (Note)	**8,667**	**51.3**	7,137	52.4
Total	**149,800**	**53.2**	136,505	53.5

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

Other income

Other income mainly includes government grant and sundry income. The Group recorded other income of RMB4.8 million for the Reporting Period as compared with RMB1.4 million for the year ended 31 December 2017.

Other gains and losses

Other gains and losses mainly comprised exchange differences and loss on disposal of property, plant and equipment. The Group recorded other gains of RMB0.8 million for the Reporting Period as compared with other losses of RMB0.7 million for the year ended 31 December 2017.

Selling and distribution expenses

Selling and distribution expenses mainly represent consignment fee for the Group's direct sales through consignment stores and television platform, sundry expenses of consignment stores, salaries, performance bonuses and employee benefits expenses of sales and marketing staff, business travelling and entertainment expenses, advertising and promotion expenses, rental expenses and transportation expenses for delivery of products to customers. Selling and distribution expenses for the Reporting Period increased by approximately 29.5% to RMB92.3 million from RMB71.3 million for the year ended 31 December 2017 because of the increase in consignment fees arising from the significant increase in the Group's direct sales through television platforms.

Administrative expenses

Administrative expenses mainly represent salaries and benefits of our administrative and management staff, general office expenses, rental expenses, legal and professional fees, depreciation of property, plant and equipment, amortisation of land use right and intangible assets, listing expenses and other miscellaneous administrative expenses. Administrative expenses for the Reporting Period decreased by approximately 12.4% to RMB24.1 million from RMB27.5 million for the year ended 31 December 2017. The decrease in administrative expenses for the Reporting Period was primarily attributed to the decrease in non-recurring listing expenses for the Reporting Period to approximately RMB8.0 million from approximately RMB11.1 million for the year ended 31 December 2017.

MANAGEMENT DISCUSSION & ANALYSIS

Research and development expenses

Along with the Group's business development and sales growth, the Group continued to devote significant resources into the development of new products. Research and development expenses for the Reporting Period remained stable at RMB11.7 million when compared to RMB11.7 million for the year ended 31 December 2017.

Finance income

Finance income represents bank interest income. For the Reporting Period, the Group's finance income amounted to approximately RMB0.4 million as compared with RMB0.2 million for the year ended 31 December 2017.

Finance costs

For the Reporting Period, the Group's finance costs amounted to approximately RMB1.8 million as compared with RMB1.1 million for the year ended 31 December 2017. The increase in financial costs was primarily attributed to the increase of bank borrowings during the Reporting Period.

Income tax expenses

For the Reporting Period, the Group's income tax expenses amounted to approximately RMB4.7 million as compared with RMB5.7 million for the year ended 31 December 2017. The decrease in income tax expenses was primarily attributed to the decrease in assessable profits during the Reporting Period.

Net profit

As a result of the above factors, the Group's net profit for the Reporting Period was RMB23.7 million, representing an increase of 12.4% as compared with the year ended 31 December 2017. Net profit margin for the Reporting Period also increased to 8.4% from 8.3% for the year ended 31 December 2017.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Company's shares were successfully listed on the Main Board of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Group since then.

The Group funds its business and working capital requirements by using a balanced mix of internal resources, bank borrowings and a partial portion of the proceeds from the initial public offering (the "IPO"). The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

As at 31 December 2018, the Group had net current assets of approximately RMB157.4 million (31 December 2017: RMB54.8 million), cash and cash equivalents amounted to approximately RMB46.9 million (31 December 2017: RMB61.6 million) and bank borrowings amounted to approximately RMB41.6 million (31 December 2017: RMB40.0 million). The Group's cash and cash equivalents and bank borrowings as at 31 December 2018 were mainly denominated in RMB, Hong Kong Dollars ("HKD") and United States Dollars ("USD"), with bank borrowings subject to fixed interest rates of approximately 5.2% per annum.

As at 31 December 2018, the Group had a current ratio of 2.7 times (31 December 2017: 1.5 times) and gearing ratio of 0.2 (calculated by dividing total debt by total equity) (31 December 2017: 0.6).

As at 31 December 2018, the Group did not have any available unutilised banking facilities (31 December 2017: nil).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group did not have any significant capital commitments (31 December 2017: nil).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities or guarantees (31 December 2017: nil).

PLEDGE OF ASSETS

As at 31 December 2018, the Group pledged property, plant and equipment with carrying amount of approximately RMB4.5 million and restricted bank deposit of approximately RMB17.5 million to secure its bank borrowings of approximately RMB23.0 million and RMB15.6 million respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 December 2018, the Group did not make any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group set out its future plans in its Prospectus. As part of its future plans, the Group will expand its sales network by establishing showrooms in major cities of the PRC and increasing the number of consignment stores. The Group will also devote more resources into research and development to enhance its product portfolio and add additional functions to its existing products. To enhance the value the Group and its shareholders, the Group will also consider potential investment opportunities when they arise.

On 25 January 2019, the Company announced that its principal operating subsidiary, Miji Electronics and Appliances (Shanghai) Ltd. entered into a sale and purchase agreement with a PRC property developer, for the purchase of a commercial property at a consideration of approximately RMB14.3 million. This property, with a gross floor area of 407.36 square meters is located in Minhang District, Shanghai and it is currently under construction. It is expected that the construction of this property will be completed and this property will be transferred to the Group by 30 June 2019. The Company will use this property for marketing purpose and office use.

FOREIGN EXCHANGE RISKS

Our Group's foreign exchange risk mainly relates to fluctuations in exchange rates of RMB against our assets and liabilities in USD and HKD, and these may affect our operation results. Our Group does not have a hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total of 297 staff (31 December 2017: 286 employees), whose remunerations and benefits are determined based on market rates, government policies and individual performance.

USE OF PROCEEDS FROM IPO

Shares of the Company were listed on the Main Board of the Stock Exchange on 16 July 2018. The net proceeds from the IPO, net of underwriting commissions and other relevant expenses, amounted to approximately HK$76.2 million. The Group will apply such proceeds in accordance with the section headed "Future plans and use of proceeds" set out in the Prospectus.

The use of the net proceeds from the Listing Date up to the date of this report had been applied as follows:

	Planned use of net proceeds (approximately)	**Utilised net proceeds from IPO from the Listing Date to the date of this report** (approximately)	**Unutilised net proceeds from IPO as at the date of this report** (approximately)	**Expected timeline for unutilised net proceeds from IPO**
Establish showrooms in major cities of the PRC	HK$24.5 million	HK$2.9 million	HK$21.6 million	HK$21.6 million to be utilised by 30 June 2021
Repayment of bank loans	HK$18.2 million	HK$18.2 million	–	N/A
Expand and strengthen sales and marketing capacities	HK$18.1 million	HK$6.5 million	HK$11.6 million	HK$11.6 million to be utilised by 30 June 2021
Develop and diversify product portfolio of hobs and stoves	HK$2.7 million	HK$0.6 million	HK$2.1 million	HK$2.1 million to be utilised by 30 June 2020
Conduct project of 米技電爐具智能化服務平台 (Establishment of Smart Service Platform for Miji Electric Stoves*)	HK$5.3 million	HK$2 million	HK$3.3 million	HK$3.3 million to be utilised by 30 June 2020
General working capital	HK$7.4 million	HK$7.4 million	–	N/A

* For identification purpose only

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Madam Maeck Can Yue (alias Mäck GEB., Ji Can Yue and Ji Can Yue) ("Madam Maeck"), aged 52, is the founder, executive Director, Chairperson, Chief Executive Officer and chairperson of the nomination committee of the Company. She is responsible for the Group's overall corporate management and business development strategies. Madam Maeck has been appointed as a director of all the subsidiaries of the Company. Madam Maeck is the spouse of Mr. Walter Ludwig Michel.

Madam Maeck has over 18 years of experience in kitchenware industry. Prior to her establishment of Miji GmbH in June 2000 and Miji Electronics and Appliances (Shanghai) Ltd. in October 2001, Madam Maeck had worked for OBI GmbH & Co. Deutschland KG, a company principally engaged in the business of home improvement supplies retailing as a director of marketing and development, where she was mainly responsible for marketing and development, from May 1998 to April 2000; and for Leica Microsystems Ltd., a company principally engaged in the business of manufacturing optical microscopes, equipment for the preparation of microscopic specimens and related products, from January 1996 to March 1998.

Madam Maeck obtained a diploma of enterprise management in May 1996 from the Fachhochschule für Wirtschaft Berlin.

In 2001, Madam Maeck was recognised by the Shanghai Municipal Personnel Bureau, the predecessor of Human Resources and Social Security (人力資源和社會保障局) as one of the scholars studied abroad who was eligible for preferential treatment for investment in Shanghai, China. She was conferred the title of adjunct professor on 1 September 2015 and appointed as advisor for master of international business for the period from April 2017 to March 2020 by Shanghai University of International Business and Economics. She was also selected as one of the Leading Talents of Minhang District (閔行領軍人士), Shanghai, China by the Shanghai Minhang District Human Resource and Social Security Bureau (上海閔行區人力資源和社會保障局) in 2013. Madam Maeck also received several awards in recognition of her entrepreneurship, including the 5th Shanghai Science and Technology Entrepreneur (Women Entrepreneur) Innovation Award (第五屆上海科技企業家(女企業家)創新獎) in 2010, and Shanghai Business Outstanding Entrepreneur (上海商業優秀企業家) for 2016.

Madam Maeck was a supervisor of Beijing Miji Electronic and Appliances Ltd. (北京米技電子電器有限公司), a company incorporated in China on 16 April 2004. Beijing Miji Electronic and Appliances Ltd. (北京米技電子電器有限公司) was dissolved due to cessation of business on 19 September 2006.

Mr. Walter Ludwig Michel (alias Walter Michel) ("Mr. Michel"), aged 69, is the executive Director of the Company. Mr. Michel has worked in Miji Electronics and Appliances (Shanghai) Ltd. as a deputy chairman since 2001. He is also a director of certain members of the Group. Mr. Michel is the spouse of Madam Maeck Can Yue.

Mr. Michel has over 28 years of experience in the electrical appliance industry. He had been working as a managing director ever since he joined Feinwerktechnik Wetzlar GmbH, a company principally engaged in the business of development, manufacture and distribution of fine mechanical optical metal and plastic components in December 1989 where he was mainly responsible for the development and production of technology, and had been working there till December 1994. From June 1994 to June 1999, Mr. Michel worked in Shanghai Leica Microsystems Ltd where he was mainly responsible for the general performance of the company. From 1999 to June 2013, Mr. Michel acted as a director and general manager of EGO Electrical Components (Shanghai) Co. Ltd. (益技歐電子器件(上海)有限公司), a company principally engaged in the business of manufacturing of parts and components of electrical cooking and washing appliances. Between September 2012 and August 2014, where he acted as the general manager of EGO between 2012 and 2014, where he was mainly responsible for the performance of the company.

Mr. Michel obtained certificates in precision engineering from State Technical School, Weilburg in June 1974 and planning and management from REFA Institute in March 1980.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Shih-fang ("Mr. Wang"), aged 49, is the independent non-executive Director, a member of each of the audit committee, nomination committee and remuneration committee of the Company. He has over 14 years of experience in the finance industry. Between July 2014 and December 2016, Mr. Wang was the managing director of Haitong International Securities Group Limited. He was also acted as a first Vice President in business planning and support department of Fubon Asset Management Co., Ltd (富邦證券投資信託股份有限公司) between March 2010 and February 2014. Prior to that, he was appointed as an associate director of SinoPac Securities (Asia) Limited between November 2008 to April 2010. From August 2006 to October 2008, he served Pinebridge Investments Management Taiwan Limited (柏瑞證券投資信託股份有限公司), formerly known as AIG Investment Management Corporation (Taiwan) Ltd. (友邦證券投資信託股份有限公司) as an assistant vice president and head of direct sales. From October 2002 to July 2006, he served Eastspring Securities Investment Trust Co., Ltd (瀚亞證券投資信託股份有限公司), formerly known as PCA Securities Investment Trust Co., Ltd. (保誠證券投資信託股份有限公司) as a manager of the financial business department.

In April 2001, Mr. Wang was awarded the certificate of securities investment trust & consulting by Securities Investment Trust and Consulting Association of the ROC in Taiwan. In 2002, Mr. Wang was awarded the Certificate of Broker License by Securities and Futures Institute in Taiwan. Mr. Wang was also a licensed representative under the Securities and Futures Ordinance from January 2009 to April 2010.

Mr. Wang graduated from Fu-Jen Catholic University in Taiwan with a bachelor's degree in philosophy in June 1992 and a master's degree in arts in June 1995. Mr. Wang also obtained his master's degree in business administration from the National Chengchi University in Taiwan in January 2012. Mr. Wang has also conducted lectures at Fu-Jen Catholic University.

Mr. Yan Chi Ming ("Mr. Yan"), aged 64, is the independent non-executive Director, chairperson of the remuneration committee and a member of the audit committee of the Company. He has over 20 years of experience in construction, property development and investment in Hong Kong and mainland China. He has been the chief executive officer of Gateway Development & Investment Limited since June 2011. Prior to that, Mr. Yan held senior positions of a number of companies listed on the main board of the Stock Exchange, including MTR Corporation Limited (from 2004 to 2011 with his last position as the chief development manager – Shenzhen), COSCO International Land Limited, a wholly owned subsidiary of COSCO International Holdings Limited (from 1997 to 1998 as a general manager) and the group of Shui On Holdings Limited (from 1999 to 2003, with his last position as an assistant general manager). Mr. Yan was an executive director and the chairman of the board of directors of Kong Shum Union Property Management (Holding) Limited (a company listed on the GEM of the Stock Exchange, Stock code: 08181) between December 2015 and July 2016.

Mr. Yan was admitted as a member of the Institution of Civil Engineers of the United Kingdom (the "UK") in June 1980. He was elected as a member of the Institution of Structural Engineers of the UK in November 1982.

Further, Mr. Yan was elected as a fellow member of the Hong Kong Institute of Real Estate Administration in April 1999. He was also admitted as a fellow member of the Hong Kong Institute of Directors in December 2011.

Mr. Yan obtained a bachelor degree of science in Engineering and a master degree of business administration from the University of Hong Kong in Hong Kong, China in November 1976 and November 1985 respectively. Mr. Yan also obtained a master degree of science in economics from the University of London in the UK in September 1989.

Mr. Yan was previously a director or legal representative or responsible person of the companies shown in the table below at the time of their respective dissolution:

Company	Place of incorporation/ establishment	Position	Date of dissolution	Means and reasons of dissolution
Apex Link Limited (高領有限公司)	Hong Kong	Director	21 February 2003	Striking off due to cessation of business
Global Elegant Development Limited (高雅發展有限公司)	Hong Kong	Director	6 March 2015	Deregistration due to cessation of business
Kentwin Development Limited (堅昌發展有限公司)	Hong Kong	Director	22 September 2006	Deregistration due to cessation of business
Max Elegant International Limited (宏豐浩國際有限公司)	Hong Kong	Director	6 September 2002	Striking off due to cessation of business
Pacific Cross Trading Company Limited	Hong Kong	Director	3 February 2006	Striking off due to cessation of business
Top Wealth Property Limited (富益置業有限公司)	Hong Kong	Director	22 September 2006	Deregistration due to cessation of business
World Choice Development Limited (威昌發展有限公司)	Hong Kong	Director	4 July 2008	Deregistration due to cessation of business

Mr. Hooi Hing Lee ("Mr. Hooi"), aged 53, is the independent non-executive Director, chairperson of the audit committee and a member of each of the nomination committee and remuneration committee of the Company. He has over 30 years of experience in the finance industry. Mr. Hooi was employed by National Australia Bank Limited in a variety of roles in Australia and Hong Kong from January 1988 to June 2006 with his last position as the head of corporate banking, North Asia. He also served as a chief operating officer in Cushman & Wakefield Capital Asia Limited from July 2006 to October 2008. For the period between 5 March 2008 to 6 October 2008, Mr. Hooi was a responsible officer for regulated activities Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of Cushman & Wakefield Capital Asia (HK) Limited. He also served as a country chief risk officer of Standard Chartered Bank (Taiwan) Limited from August 2010 to June 2013 respectively. In the year of 2013, Mr. Hooi founded a private equity company, pH Capital Limited, where he currently acts as the director.

Mr. Hooi was appointed as the lead independent non-executive director of Cityneon Holdings Limited, a company listed on the Mainboard of the Singapore Stock Exchange (Stock code: 5HJ), in August 2017. He is also concurrently the chairman of audit and risk committee, and a member of the nominating and remuneration committees of the Cityneon Holdings Limited. Cityneon Holding Limited has since been privatised and delisted from Singapore Stock Exchange on 1 February 2019. Mr. Hooi was also appointed as a non-executive director of Ponderous Panda Capital Corp. and Efficacious ELK Capital Corp., two companies listed on the TSX Venture Exchange (Stock code: PPCC.P and EECC.P).

Mr. Hooi obtained his Bachelor of Commerce degree from the University of Western Australia in April 1990. He was admitted as a member of the Certified Practicing Accountants of Australia in July 1990 and a fellow of the Hong Kong Institute of Directors in March 2006.

Mr. Hooi was previously a director or legal representative or responsible person of the companies shown in the table below at the time of their respective dissolution:

Company	Place of incorporation/ establishment	Position	Date of dissolution	Means reasons of dissolution
Sino Express Investment Limited (中貫投資有限公司)	Hong Kong	Director	1 April 2010	Deregistration due to cessation of business
Crown Charm Investment Limited (冠倡投資有限公司)	Hong Kong	Director	24 July 2009	Deregistration due to cessation of business

SENIOR MANAGEMENT

Ms. Li Hongyu ("Ms. Li"), aged 34, is a financial controller of our Group. She joined our Group in May 2017 and is responsible for overseeing financial management of our Group.

Ms. Li has over seven years of experience in the accounting industry. Prior to joining our Group, she worked as a manager in audit and assurance department in Deloitte Touche Tohmatsu Certified Public Accountants LLP Dalian Branch (formerly known as Deloitte Touche Tohmatsu CPA Ltd. Dalian Branch) from September 2010 to April 2017.

Ms. Li was admitted as a certified public accountant in the State of Iowa in the United States of America in 2016. She obtained a bachelor's degree in accounting from Hebei University (河北大學) in 2007. She also obtained a master's degree in accounting from Dongbei University of Finance and Economics (東北財經大學) in 2009.

Mr. Fang Zongda ("Mr. Fang"), aged 62, is our research and development director and is responsible for overseeing our research and development and quality control functions. Mr. Fang joined our Group in 2010 and has over 15 years of experience in electric engineering. In the earlier years of his career, he had worked for various universities and institutes including his last position as the Dean of the Electric Engineering Department, at the University of Shanghai for Science and Technology in Shanghai. From 2002 to 2017 Mr. Fang was the Dean of the Electric Engineering Institute and the Dean of Shanghai Hamburg International Engineering College in Shanghai.

Mr. Fang graduated from the China Textile University, Shanghai, in July 1986 with a bachelor's degree in Electric Automation Engineering and the Shanghai Mechanical College, Shanghai, in December 1980 with professional qualification in electronic automation. He was also granted the title of senior engineer by Shanghai Expertise Qualification Review Committee* (上海市高等學校教師職務評審委員會) in July 1993.

Ms. Lin Shaochai ("Ms. Lin"), aged 37, joined our Group in April 2008 and is our sales director and has been responsible for overseeing the sales and marketing strategies and operation of our Group since 2013. She has over 9 years of experience in sales and marketing and customer service in the PRC and she worked as a senior customer service manager from April 2008 to March 2013. She was responsible for the establishment and supervision of the operation of the customer service system. From March 2013 to March 2016, she worked as a senior sales channel manager in the sales and marketing department of our Group and assisted in formulating sales and marketing strategies.

Prior to joining our Group, she worked as an assistant engineer in the research and development department of Shanghai Tiger-Born Electronic & Electrical Appliance Co. Ltd. (上海虎生電子電器有限公司) from October 2004 to March 2008 where she was responsible for preparing sales forecast and new product launch.

Ms. Lin obtained her professional qualification in communication technology from Jiujiang Vocational and Technical College in the PRC in July 2004.

* For identification purpose only

CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders of the Company. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders of the Company to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for the shareholders of the Company. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return.

ADOPTION AND COMPLIANCE OF CORPORATE GOVERNANCE PRACTICES

The Board adopted a set of corporate governance practices which aligns with or is more restrictive than the requirements set out in the Corporate Governance Code (the "CG Code"), contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. Except for code provision A.2.1, the Board is of the view that the Company has complied with the code provisions set out in the CG Code from Listing Date to the year ended 31 December 2018.

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of the Company, Madam Maeck is our chairperson and chief executive officer. With her extensive experience in the industry, the Directors believe that vesting the roles of both chairperson and chief executive officer in the same person provides the Company with strong and consistent leadership, allowing effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Madam Maeck performs both the roles of chairperson and chief executive officer, the division of responsibilities between the chairperson and chief executive officer is clearly established. In general, the chairperson is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Madam Maeck distinctly. Further, the current structure does not impair the balance of power and authority between the Board and management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct governing securities transactions by the Directors.

Specific enquiry has been made to all Directors and all Directors have confirmed that they had fully complied with the required standard set out in the Model Code from Listing Date to the year ended 31 December 2018.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than those in the Model Code.

No incident of non-compliance with these guidelines by the relevant employees was noted by the Company from the Listing Date to the year ended 31 December 2018.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

As at 31 December 2018, the Board comprises five Directors, consisting of two executive Directors and three independent non-executive Directors.

Biographical information of the Directors and the details of the composition of the Board are set out below and in the Corporate Information, Directors and Senior Management Profile and Directors' Report respectively of this annual report.

The Board delegates day-to-day operations of the Group to the management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms.

The Board monitors the development and financial performance and sets strategic directions of the Group's business.

Matters including material investment decisions, approving financial statements, declaration of dividend, are reserved to the Board. The management implements the Board's decisions, makes business proposals and reports to the Board on the overall performance of the Group. Daily operations and administration of the business are delegated to the executive Directors and the management of the Company.

As the Shares were only listed on the Stock Exchange on the Listing Date, during the period from the Listing Date to 31 December 2018, two regular Board meetings were held. Among others, the following key issues were discussed in the Board meetings:

– considered and approved the interim results and report of the Group for the six months ended 30 June 2018; and

– considered and discussed the quarter results of the Group for nine months ended 30 September 2018.

The Board will make arrangements for holding at least four regular Board Meetings during each financial year.

At least 14 days' notice of a regular Board meeting is given to all Directors to provide them with an opportunity to attend and all Directors are given an opportunity to include matters in the agenda for a regular meeting. Board papers are dispatched to the Directors at least three days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting.

The Chairperson conducts the proceedings of the Board at all Board meetings. She ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and that equal opportunities are given to the Directors to speak and express their views and share their concerns. All Directors have access to the company secretary of the Company (the "Company Secretary"), who is responsible for ensuring that the Board procedures are complied with and for advising the Board on compliance matters.

During the period from the Listing Date to 31 December 2018, the respective attendances of the Directors at the above Board meetings are set out in the table below:

Name of Directors	Attendance Board Meetings
Executive Directors	
Madam Maeck Can Yue	2/2
Mr. Walter Ludwig Michel	2/2
Independent Non-executive Directors	
Mr. Wang Shih-fang	2/2
Mr. Yan Chi Ming	2/2
Mr. Hooi Hing Lee	2/2

No annual general meeting or extraordinary general meeting had been held during the period from the Listing Date to the year ended 31 December 2018.

The Company has received confirmations of independence from all independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. All of them meet the independence criteria set out in Rule 3.13 of the Listing Rules. Thus, the Board considers that they are independent.

The Company has also received confirmations from all Directors that they have given sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organizations and other significant commitments, with the identity of the public companies or organizations and an indication of the time involved.

Except for the family relationship between Madam Maeck Can Yue and Mr. Walter Ludwig Michel as disclosed in Directors and Senior Management Profile on pages 12 to 15 of this report, there is no financial, business, family or other material or relevant relationship between Board members.

DIRECTORS' TRAINING

For the year ended 31 December 2018, the Directors participated in the following continuous professional development:

Name of Directors	Training organized by professional organization	Reading materials updating on new rules and regulations
Executive Directors		
Madam Maeck Can Yue	✓	✓
Mr. Walter Ludwig Michel	✓	✓
Independent Non-executive Directors		
Mr. Wang Shih-fang	✓	✓
Mr. Yan Chi Ming	✓	✓
Mr. Hooi Hing Lee	✓	✓

Note: The Company received from each of the Directors the confirmations on taking continuous professional training.

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into a service agreement with the Company pursuant to which each of them is appointed for service with the Company for a term of one year commencing on 24 June 2018. Their terms of appointment shall be subject to the rotational retirement provision of the articles of association of the Company.

BOARD COMMITTEES

To assist the Board in the execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various Board committees, which review and make recommendations to the Board on specific areas. The Board has established a total of three Board committees, and details of which are set out below.

Each committee consists of Directors and has its terms of reference. The terms of reference of the Board committees setting out their roles and the authority delegated to them by the Board have been posted on the designated website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.mijiholdings.com.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management over the financial reporting system and internal control systems of the Group. The Audit Committee comprises Mr. Hooi Hing Lee (Chairperson), Mr. Wang Shih-fang and Mr. Yan Chi Ming, all of whom are independent non-executive Directors. The Audit Committee has reviewed and discussed the annual report of the Group for the year ended 31 December 2018.

As the Shares were listed on the Stock Exchange on the Listing Date, during the period from the Listing Date to 31 December 2018, the Audit Committee had held one physical meeting. The respective attendances of the members of audit committee are presented as follows:

Members	**Attendance**
Mr. Hooi Hing Lee *(Chairperson)*	1/1
Mr. Wang Shih-fang	1/1
Mr. Yan Chi Ming	1/1

The Audit Committee will make arrangements for holding at least two meetings during each financial year. Subsequent to the Reporting Period and up to the date of this report, the Audit Committee has held one meeting.

During the period from the Listing Date to 31 December 2018 and up to the date of this report, the Audit Committee had performed the following duties:

- reviewed and commented on the interim results and report of the Group for the six months ended 30 June 2018;
- reviewed and commented on the annual results and report of the Group for the year ended 31 December 2018;
- Reviewed the financial matters of the Group, the effectiveness of the Group's risk management and internal control systems;
- discussed with the independent internal control reviewer about the internal control matters of the Group and reviewed the independent internal control reviewer's findings and recommendations;
- reviewed and recommended the reappointment of the external auditors; and
- reviewed the arrangement for employees of the Group to raise concerns about possible impropriety in financial reporting, internal control and other matters.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors.

A member of the Nomination Committee shall abstain from voting and shall not be counted in the quorum of a meeting in respect of the resolution where he or any of his associates has any material interest, including the recommendation on nomination for appointment of such person as a Director. The Nomination Committee comprises the executive Director, Madam Maeck Can Yue (Chairperson) and the independent non-executive Directors, Mr. Wang Shih-fang and Mr. Hooi Hing Lee.

As the Shares were listed on the Listing Date, no meeting was held by the Nomination Committee during the Reporting Period. The Nomination Committee will make arrangements for holding at least one meeting during each financial year. Subsequent to the Reporting Period and up to the date of this report, the Nomination Committee has held one meeting.

During the period from the Listing Date to 31 December 2018 and up to the date of this report, the Nomination Committee had performed the following duties:

– reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and the board diversity policy, and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

– assessed the independence of independent non-executive Directors; and

– reviewed and made recommendation to the Board on re-election of retiring Directors.

NOMINATION POLICY

The Board has adopted the nomination policy (the "Nomination Policy") on 24 August 2018 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

(1) identifying potential candidates, including recommendations from the Board members, professional search firms and the shareholders of the Company;

(2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;

(3) reviewing the profiles of the shortlisted candidates and interview them; and

(4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "Board Diversity Policy") on 24 June 2018.

Below is the summary of the Board Diversity Policy:

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria.

Selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the CG Code.

The Remuneration Committee makes recommendations on the remuneration package of Directors and senior management of the Group.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies. A member of the Remuneration Committee shall abstain from voting in respect of the resolution regarding the remuneration payable to him. The Remuneration Committee comprises Mr. Yan Chi Ming (Chairperson), Mr. Wang Shih-fang and Mr. Hooi Hing Lee, all of whom are independent non-executive Directors.

As the Shares were listed on the Listing Date, no meeting was held by the Remuneration Committee during the Reporting Period. The Remuneration Committee will make arrangements for holding at least one meeting during each financial year. Subsequent to the Reporting Period and up to the date of this report, the Remuneration Committee has held one meeting.

During the period from the Listing Date to 31 December 2018 and up to the date of this report, the Remuneration Committee had performed the following duties:

– reviewed and made recommendation on policy and structure for Directors' and senior management's remuneration;

– reviewed and approved the management's remuneration proposals with reference to the corporate goals and objectives of the Board; and

– reviewed and determined on the remuneration packages of individual executive Directors and senior management.

For the year ended 31 December 2018, the annual salary of the senior management (exclude Directors) of the Company falls within the following bands.

Remuneration bands	Number of senior management
Nil to RMB1,000,000	3

CORPORATE GOVERNANCE FUNCTION

The Board is entrusted with the overall responsibility of developing and maintaining sound and effective corporate governance within the Group and is committed to ensuring that an effective governance structure is put in place to continuously review and improve the corporate governance practices within the Group in light of the evolving operating environment and regularity requirements.

The Board has undertaken the day-to-day responsibility for all corporate governance function of the Group. All members of the Board are responsible for performing the corporate governance duties set out in the written terms of reference adopted by the Board on 24 June 2018 and are as follows:

1. to develop and review the Company's policies and practices on corporate governance and make recommendation to the Board;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the CG code and disclosure in the Corporate Governance Report.

AUDITOR'S REMUNERATION

The remunerations in respect of audit and non-audit services for the year ended 31 December 2018 provided by the Company's auditors, PricewaterhouseCoopers, are as follows:

	HK$'000
Audit services	1,190
Non-audit services	310

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Group. In preparing the consolidated financial statements for the Reporting Period, the Directors have:

– based on a going concern basis;

– selected suitable accounting policies and applied them consistently; and

– made judgements and estimates that were prudent, fair and reasonable.

The report of the auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report from pages 46 to 49 of this report.

COMPANY SECRETARY

The Company has engaged in a service contract with an external service provider, Ms. Ho Wing Yan ("Ms. Ho"), who was appointed as the Company Secretary. Ms. Li Hongyu, the financial controller of the Company is the primary corporate contact person of the Company with Ms. Ho.

Being the Company Secretary, Ms. Ho plays an important role in supporting the Board by ensuring good information flow within the Board and that the Board policies and procedures are followed. Ms. Ho is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of Directors. During the Reporting Period, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining effective communication with the shareholders of the Company. The Company establishes various communication tools to ensure the shareholders of the Company are kept well informed of timely information of the Company. These include the annual general meeting, extraordinary general meetings, the annual and interim reports, announcements, circulars and notices. Such documents are accessible on the Company's website at www.mijiholdings.com.

SHAREHOLDERS' RIGHTS

(a) Procedures for convening of an extraordinary general meeting and putting forward proposals at shareholders' meeting

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to the articles of association of the Company, one or more shareholders who hold in aggregate not less than one-tenth of the paid up capital of the Company which carries 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 Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 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.

Pursuant to the articles of association of the Company, an annual general meeting of the Company and an extraordinary general meeting of the Company called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting of the Company shall be called by not less than 14 days' notice in writing. Pursuant to the CG Code, written notice of an annual general meeting of the Company and written notice of an extraordinary general meeting of the Company shall be sent by the Company to all Shareholders at least 20 clear business days and 10 clear business days respectively before the meeting. Business day under the Listing Rules means any day on which the Stock Exchange is open for business of dealing in securities.

(b) Procedures for members to propose a person for election as a director of the Company

The procedures for the shareholders of the Company to propose a person for election as a director of the Company are available and accessible on the Company's website at www.mijiholdings.com.

(c) Procedures for directing enquires to the Company

To direct enquiries to the Board, the shareholders of the Company should submit his/her/its enquires in writing with contact details (including, your registered name, address and telephone number, etc.) to the Company Secretary at the following:

By post to the principal place of business in Hong Kong at Unit 3306–12, 33/F., Shui On Centre, No. 6–8 Harbour Road, Wan Chai, Hong Kong.
Fax: (852) 2802 0331

(d) Matters relating to share registration

For share registration related matters, such as share transfer and registration, change of name and address of shareholders of the Company, loss of share certificates or dividend warrants, the shareholders of the Company can contact the Hong Kong branch share registrar and transfer office at the following:

Tricor Investor Services Limited
Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

DIVIDEND POLICY

The Board has adopted the dividend policy (the "Dividend Policy") on 24 August 2018 which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Company takes priority to distributing dividends in cash and shares its profits with the shareholders of the Company. The dividend distribution decision of the Company will depend on, among others, the financial results, the current and future operations, liquidity and capital requirements, financial condition and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

CONSTITUTIONAL DOCUMENTS

The Company has published its amended and restated memorandum and articles of association on the designated website of the Stock Exchange and the Company's website. During the Reporting Period, there was no alteration on the constitutional documents of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board emphasizes on the importance of risk management and internal controls on the Group's business operations and development and acknowledges its overall responsibility for the risk management and internal control systems and the review of their effectiveness.

The Board evaluates and determines the nature and extent of risks it is willing to accept, while achieving the Group's strategic business objectives. The Board also ensures implementation and maintenance of effective risk management and internal control systems; and oversees management in the design, implementation and monitoring of the risk management and internal control systems.

The Board has delegated the responsibility to physically implement and maintain the risk management and internal control systems to the management of the Company. The management, under the supervision of the Board, has implemented and maintained appropriate and effective risk management and internal control system, which aims to manage and reduce (i) risks associated with the Group's daily operations; (ii) risks of failing to achieve business objectives; (iii) risks of asset misappropriation; and (iv) risks of making potential material misstatements or losses. However, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatements or losses.

The Group does not have an internal audit function. Taking into account the size, nature and complexity of the Group's business, the Board have sufficient capacity to oversee the design and implementation of the risk management and internal control system and to assess its effectiveness, and accordingly there is no immediate need to set up an internal audit function within the Group.

The process to identify, evaluate and manage risks are carried out on a regular and on-going basis. These processes are summarised as follows:

Risk identification

- Identify risks that may potentially affect the Group's business and operations.

Risk assessment

- Assess the impact and consequence of the identified risks on the business and the likelihood of their occurrence.

Response to findings of risk assessment

- Prioritise the risks by comparing the results of the risk assessment; and
- Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk monitoring and reporting

- Perform ongoing and regular monitoring of the risk and ensure that appropriate internal control processes are in place;
- Enhance the risk management strategies and internal control processes in case of any significant change of situation; and
- Report the results and effectiveness of risk management and internal control to the Board regularly.

In relation to the handling and dissemination of inside information, the Group has implemented in information disclosure policy to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy is summarised as follows:

- Designated reporting channels from different operations informing any potential inside information to designated departments;

- Designated persons and departments to determine further escalation and disclosure as required; and

- Designated persons authorised to act as spokespersons and respond to external enquiries.

During the Reporting Period, the Group engaged an independent consulting firm to review the effectiveness of its risk management and internal control system. The scope of review was determined by the Board. The independent consulting firm submitted a report of findings and areas for improvement to the management. The management presented these findings and areas for improvements to the Board and Audit Committee. Having considered (i) the existence of the risk management and internal control system; (ii) the findings of the independent consulting firm; (iii) the management will take into account the areas for improvement suggested by the independent consulting firm and further enhance the risk management and internal control system, the Board and Audit Committee were of the view that the Group had no material internal control deficiencies and its risk management and internal control systems were effective and adequate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

The Group presents its first Environmental, Social and Governance ("ESG") report, which highlights its ESG performance from 1 January 2018 to 31 December 2018 (the "Reporting Period").

This ESG report was prepared with reference to the ESG reporting guideline as described in Appendix 27 of the Listing Rules and Guidance set out by the Stock Exchange.

The Group is engaged in the manufacturing and trading of premium kitchen appliances and over 90% of its revenue derived from the PRC market. The scope of this ESG report covers the Group's business in the PRC. The Group's operations outside the PRC were not included in the scope as they do not have significant environmental and social impacts.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group values the contributions from its stakeholders as they can bring potential impacts to the Group's business. The Group maintains regular communications with its stakeholders from to time collect their views on the ESG aspects that they regard as relevant and important. Its key stakeholders include its employees, shareholders, customers, suppliers, professional institutions, non-governmental organisations and authorities. The Group maintains an open and transparent dialogue with its stakeholders through various channels including meetings, surveys, seminars and workshops.

The data and information in this ESG report are sourced from the relevant documents, reports, statistical data, management and operation information collected by the Group. The Board has reviewed the contents of this ESG report.

A. ENVIRONMENT

The Group acknowledges its responsibility to protect the environment and strives its best to reduce emissions and improve the efficiency in the use of resources.

The Group's operations are subject to certain environmental requirements pursuant to the laws in the PRC such as the Environmental Protection Law of the PRC, the Prevention and Control of Solid Waste Pollution Law of the PRC, the Law on Prevention and Control of Water Pollution of the PRC and the Law on Prevention and Control of Atmospheric Pollution.

During the Reporting Period, the Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution, penalty, administrative fine or sanction being imposed against the Group.

A.1 Emissions

In order to comply with the applicable environmental protection laws, the Group has implemented environmental protection policies, reducing air and water pollution and electricity consumption. Sources of emissions the Group mainly involved during the Reporting Period included consumption of petrol, electricity, paper and water and business trips.

(i) Air pollutant emissions

During the Reporting Period, air pollutant emissions were mainly related to petrol consumption for the use of the Group's self-owned vehicles, which contributed to the emission of 112.36 kg of nitrogen oxides (NOx), 0.14 kg of sulphur oxides (SOx) and 10.77 kg of respiratory suspended particles (PM).

(ii) Greenhouse gas emissions

Scope of greenhouse gas emissions	Emission (in tCO_2e)	Percentage to total emission
Scope 1 Direct emission		
Combustion of petrol for mobile vehicles	22.2	7.5%
Scope 2 Indirect emission		
Purchased electricity	214.1	72.5%
Scope 3 Other indirect emission		
Paper waste disposal	0.1	20.0%
Water consumption	1.4	
Business air travel	57.6	
Total	295.4	100%

Notes:

1) Emission factors were made by reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

2) Combined margin emission factor of 0.8112 tCO_2/MWh was used for purchased electricity in Eastern China.

3) The above emission data does not include the removal of CO_2 contributed by recycling of paper.

During the Reporting Period, the Group's activities contributed to 295.4 tonnes (0.01 tCO_2/m^2) of carbon dioxide equivalent (carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emission.

Petrol consumption

During the Reporting Period, the Group's motor vehicles travelled approximately 126,962 km, which contributed to 22.2 tonnes of carbon dioxide equivalent emissions. To reduce the emissions arising from petrol consumption, the Group encourages its employees to use public transport when they attend business activities. For business activities that take place within walking distance, the Group encourages its employees to walk or cycle to the destination.

Electricity consumption

During the Reporting Period, the Group consumed 263,955 kWh of electricity in connection with its daily office operations, which contributed to 214.1 tonnes of carbon dioxide equivalent emissions. To reduce the emissions arising from electricity consumption, the Group encourages its employees to switch off the lights and other electricity appliances when they leave the office.

Paper consumption

During the Reporting Period, the Group consumed 0.1 tonnes of paper in connection with its daily office operations, which contributed to 0.1 tonnes of carbon dioxide equivalent emissions. To reduce the emissions arising from paper usage, the Group encourages its employees to conserve paper, review documents on computers, send messages to customers via emails, use recycled paper and adopt double-sided printing.

Business air travel

The Group's employees occasionally travel by air to other countries for meetings with customers and suppliers. They would only travel by air when necessary and the Group keeps track of their business air travels. During the Reporting Period, business air travels of the Group's employees had contributed a total of 57.6 tonnes of carbon dioxide equivalent emission.

(iii) Hazardous waste

During the Reporting Period, the Group generated minimal amount of hazardous waste. The major hazardous waste generated by the Group was waste light tube. To minimise the impact on environment, the Group has engaged a qualified waste collector to handle and collect the hazardous waste produced. The Group will strive to reduce generation of hazardous waste through upgrading technologies whenever possible.

(iv) Non-hazardous waste

During the Reporting Period, the Group generated a total of 20 tonnes of non-hazardous waste. The major non-hazardous waste generated by the Group were packaging materials generated from the production process and domestic waste generated in staff quarters and offices. Most of the non-hazardous waste are recycled or sold to recycling company.

A.2 Use of resources

Reducing consumption of resources and enhancing utilisation efficiency are the Group's principles in managing its use of resources. The Group has adopted a set of guidelines to achieve efficient use of energy, water and other resources for long-term sustainability.

The Group's total consumption of electricity, water and packaging materials during the Reporting Period together with the relevant conservation measures adopted by the Group are detailed in the section headed "A.1 Emissions" above.

To further improve the use of resources, the Group takes the following actions on an ongoing basis:

- keep track of its consumption level of resources;
- review the effectiveness of its conservation measures; and
- design improvement measures

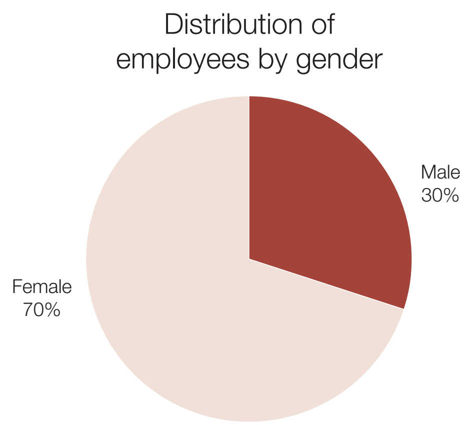
B. SOCIAL

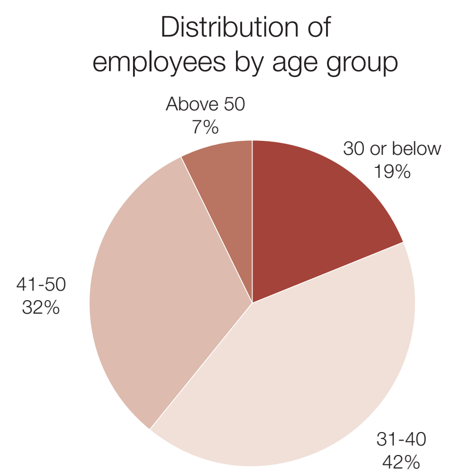
1. Employment and labour practices

(i) Employment

Total employees and turnover

The Group had a total number of 297 full-time employees as at 31 December 2018, During the Reporting Period, the Group had a low staff turnover rate.





Employee benefits and welfare

The Group enters into employment contracts with its employees and the employment contract terms were stipulated under the principles of fairness, voluntarism, mutual consent, integrity and credibility. The remuneration package offered to employees includes salary, bonuses and other subsidies. In general, the remuneration package is based on each employee's qualifications, position, seniority and work performance. The Group carries out an annual review system to assess the performance of its employees, which forms the basis of decisions with respect to salary raises, bonuses and promotions.

During the Reporting Period, the Group maintains social insurance for its employees pursuant to the applicable PRC laws and regulations by making contributions to the mandatory social insurance and housing provident funds which provide basic retirement, medical, work-related injury, maternity and unemployment benefits. The Group also participates in a supplemental medical insurance scheme to better protect its employees.

During the Reporting Period, the Group complies with the Labour Law of the PRC and did not experience any significant disputes with its employees or any disruption to business operations due to labour disputes. In addition, the Group did not experience any difficulties in the recruitment and retention of experienced core staff or skilled personnel.

Labour standards

During the Reporting Period, there was no child labour nor forced labour working in the Group. The job application requirement specifies that job applicants must be at least 18 years old. To ensure that job applicants can meet the age requirement, identities of job applicants are verified against their valid identity documents, relevant permits and certificates.

The human resources department is required to carry out background checks to authenticate information provided by job applicants and is required to fill in forms that confirm hired employees have met the age requirement. No material non-compliance in relation to laws and regulations regarding prevention of child and forced labour was recorded during the Reporting Period.

Equal opportunity

The Group provides equal opportunities for employees in respect of recruitment, job advancement, training and development, etc. Employees are not discriminated against or deprived of such opportunities on the basis of race, nationality, religion, physical condition, disability, gender, pregnancy, sexual orientation, political status, age and any other discrimination prohibited by applicable law. Employees shall not act in discriminatory manner or they can be subject to disciplinary actions.

(ii) Employee relations

The Directors consider that it is important to maintain good relationship with employees. The Group maintains regular communications with its employees by arranging gatherings, celebration activities and trainings. Through these activities, the Group would collect feedback from its employees on job satisfactions and their expectations on the Group and would implement appropriate strategies to improve the work environment and its relationship with the employees.

(iii) Employee health and safety

The Group places emphasis on occupational health and work safety. It provides a safe working environment and training sessions for its employees to ensure that they can work safely. It has also implemented a system of recording and handling accidents. Further, the Group also has dedicated personnel responsible for administering the internal worker safety policies, providing relevant training and education, and conducting regular inspections. During the Reporting Period, the Group had not experienced any material safety accidents or been penalised for any non-compliance relating to work safety laws and regulations.

Occupational health and safety data in 2018	
Work related fatality	–
Work injury cases >3 days	–
Work injury cases <=3 days	–
Lost days due to work injury	–

(iv) Development and training

The Group provides comprehensive training and development opportunities to its employees on a regular basis. The trainings are arranged according to needs of employees, which were identified annually by individual departments:

a. Orientation training – To familiarise employees with the Group's objectives, culture, rules and regulations, safety and product-related knowledge on the first day of work;

b. Pre-job training – To familiarise new employees or transferred employees with their new duties;

c. On-the-job training – To ensure that the employees are familiar with the Group's products, to sharpen the sales technique and customer service standard of sales and marketing personnel and to ensure the production and quality control personnel perform proper quality control procedures.

2. Operating practices

(i) Supply chain management

The Group purchases raw materials and equipment based on its own needs, specifications, quality and safety performance of equipment, reputation, after-sales service and delivery time of the supplier. The Group compares different suppliers to select qualified suppliers (based on their product specifications, product compliances, production management, quality management and also corporate social responsibility performances) before the Group enters into contract with the qualified suppliers.

When selecting equipment, the Group would also consider whether the equipment is energy efficient and environmental friendly. During the Reporting Period, the Group principally sourced its major raw materials and equipment from PRC suppliers.

(ii) Product responsibility

Product assurance and recall

Product quality is crucial to the Group's continued success. The Group places strong emphasis on achieving a consistently high quality for its products. To achieve such purpose, stringent quality control measures throughout the production process were implemented to ensure the quality and safety of our products. The Group's quality control department performs regular inspections to evaluate the effectiveness of the quality control measures and further enhance these measures when necessary.

As a result of stringent quality control procedures, the Group is accredited with the certification of "ISO 9001:2008 Quality Management System" and the Group did not experience any claims, litigations and arbitrations or material adverse findings in inspection by government authorities with respect to the quality of our products during the Reporting Period.

The Group generally does not allow product returns except for quality reasons and the unconditional return to the Group within seven days after sale in accordance with PRC customer protection laws. During the Reporting Period, the Group did not experience any product recall, material non-compliance with laws and regulations in relation to product health and safety or receive any material complaints from consumers.

The Group has obtained the following product quality standard and control qualifications:

- the certificates for quality management system for compliance of the requirements of GB/T 19001-2016/ISO 9001:2015 for the scope of design, production and service of electronic stoves and induction stoves since 2006 and up to 5 July 2021
- the certificates for China Compulsory Product Certification issued by the China Quality Certification Centre for the Group's hobs and stoves
- the VDE standard mark granted by VDE Association for Electrical, Electronic and Information Technologies for the parts and components of the Group's hobs and stoves
- the CE mark required by the European Economic Area for some of the Group's hobs and stoves which will be exported to European countries

- the GS mark issued by an agency accredited by the German government for proving that the Group's products were tested and comply with the minimum requirements of the German Equipment and Product Safety Act.

Intellectual Property Rights and Information Security

The Group registered various trademarks for our Group and our products in the PRC, Germany and Hong Kong to foster its corporate image. The Group relies on the relevant laws and regulations to protect its brand names, trademarks and other intellectual property rights.

During the Reporting Period, the Group was not aware of any material infringement (i) by the Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by the Group. Further, there were no pending or threatened material claims made against the Group, nor had there been any material claims made by the Group against third parties, with respect to the infringement of intellectual property rights owned by the Group.

(iii) Anti-corruption

According to the Group's anti-corruption policy, all employees shall abide by the laws and regulations of the PRC and shall not engage in any illegal activities. Employees shall uphold the code of ethics, advocate fair competition and act against bribery. Any bribery, fraud, money laundering and embezzlement are prohibited.

Employees must not accept or request any improper benefits including banquets, gifts, securities, valuables and high-expenditure entertainment activities from business partners, suppliers and merchants, etc. When there is any alleged case in violation of laws, regulations, code of conduct or Group's policies, the Group will investigate and impose disciplinary actions upon offenders after verification.

During the Reporting Period, the Group complied with all applicable laws on prohibiting corruption and bribery of the PRC and there was no concluded legal case regarding corrupt practices brought against the Group or its employees.

3. Community investment

The Group acknowledges corporate social responsibility and allocates resources to satisfy the needs of the community. During the Reporting Period, the Group focused on environmental protection as well as cultural and sport promotion. The Group also encouraged its employees to participate charitable events. Going forward, the Group will continue to focus on community needs and increase its investment in community.

DIRECTORS' REPORT

The Directors of the Company are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

INITIAL PUBLIC OFFERING

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 May 2017. Shares of the Company were listed on the Main Board of the Stock Exchange on 16 July 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of the Group are design, development, assembling and manufacturing hobs and stoves, sourcing from original equipment manufactures (OEMs) pots and pans, hoods and ovens, and small kitchen appliances and certain radiant stoves and importing and marketing kitchen cabinet sourced from a supplier of kitchen cabinet in Germany for high-end customers. Particulars of the principal activities of the Company's subsidiaries are set out in note 13 to the consolidated financial statements of the Group for the year ended 31 December 2018.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of comprehensive income on pages 50 to 51.

DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2018.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group is set out on page 3 of the annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company for the year ended 31 December 2018 are set out in note 21 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Reporting Period.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group and the Company during the Reporting Period and distributable reserves of the Company as at 31 December 2018 are set out on page 54 in the consolidated statement of changes in equity and note 30 to the consolidated financial statements respectively.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, the Company has appointed Dakin Capital Limited ("Dakin Capital") to be the compliance adviser. Dakin Capital, being the sponsor of the Company in relation to the Listing, has declared its independence pursuant to Rule 3A.07 of the Listing Rules. Save as provided for in relation to the share offer and/or disclosed in the Prospectus, neither Dakin Capital nor any of its associates and none of the directors or employees of Dakin Capital who have been involved in providing advice to the Company as the sponsor, has or may, as a result of the share offer, have any interest in any securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities).

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the Reporting Period in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue attributable to the Group's five largest customers to the total revenue of the Group was 44.3% for the year ended 31 December 2018. The percentage of revenue attributable to the Group's largest customer to the total revenue of the Group was 22.1% for the year ended 31 December 2018.

The percentage of purchases attributable to the Group's five largest suppliers to the total purchases of the Group was 57.6% for the year ended 31 December 2018. The percentage of purchases attributable to the Group's largest supplier to the total purchases of the Group was 17.0% for the year ended 31 December 2018.

To the best of the Directors' knowledge, none of the Directors, their close associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers or suppliers above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries, which are not contracts of service with any director of the company or any person engaged in the full-time employment of the company, were entered into or existed during the Reporting Period.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this report are as follows:

Executive Directors:

Madam Maeck Can Yue (Chairperson and chief executive officer)
Mr. Walter Ludwig Michel

Independent Non-executive Directors:

Mr. Wang Shih-fang
Mr. Yan Chi Ming
Mr. Hooi Hing Lee

In accordance with article 108(A) of the Company's articles of association, Mr. Walter Ludwig Michel will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

In accordance with article 112 of the Company's articles of association, Mr. Wang Shih-fang, Mr. Yan Chi Ming and Mr. Hooi Hing Lee will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, and Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) are as follows:

Interest in the Company

Name of Director	Capacity/nature of interest	Number of Shares held (Note 1)	Percentage of shareholding in the Company (Approximate)
Madam Maeck Can Yue ("Madam Maeck") (Note 2)	Interest in a controlled corporation	900,000,000 (L)	60%
Mr. Walter Ludwig Michel ("Mr. Michel") (Note 3)	Interest of spouse	900,000,000 (L)	60%

Interest in associated corporation of the Company, Wide Big Investment Limited ("Wide Big")

Name of Director	Capacity/nature of interest	Number of Shares held (Note 1)	Percentage of shareholding in the associated corporation
Madam Maeck (Note 2)	Beneficial owner	1 (L)	100%
Mr. Michel (Note 3)	Interest of spouse	1 (L)	100%

Notes:

1. The letter "L" denotes long position of the shares.

2. The issued shares of Wide Big is wholly-owned by Madam Maeck. Accordingly, Madam Maeck is deemed to be interested in the 900,000,000 ordinary shares of the Company held by Wide Big by virtue of the SFO.

3. Mr. Michel is the spouse of Madam Maeck. Accordingly, Mr. Michel is deemed to be interested in the 900,000,000 ordinary shares of the Company held by Madam Maeck through Wide Big by virtue of the SFO.

Save as disclosed above, as at 31 December 2018 none of the Directors or chief executive of the Company and/or any of their respective associates had any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Saved as disclosed in this report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

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

As at 31 December 2018, the following persons (other than the interests of the Directors or chief executives of the Company as disclosed above) had interests or short positions in the ordinary shares of the Company or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	**Capacity/nature of interest**	**Number of Shares held** (Note 1)	**Percentage of shareholding in the Company** (Approximate)
Wide Big (Note 2)	Beneficial owner	900,000,000 (L)	60%
Haitong Dynamic Multi-Tranche Investment Fund III S.P. ("Haitong"), a segregated portfolio of Haitong Global Investment SPC III ("Haitong Funds Company") (Note 3)	Beneficial owner	168,750,000 (L)	11.25%

Notes:

1. The letter "L" denotes long position of the shares.

2. The issued shares of Wide Big is wholly-owned by Madam Maeck who is deemed to be interested in the shares held by Wide Big by virtue of the SFO.

3. Haitong is a segregated portfolio of Haitong Funds Company, which is an exempted company incorporated with limited liability and registered as a separated portfolio company in the Cayman Islands. Haitong International Asset Management (HK) Limited (formerly known as Hai Tong Asset Management (HK) Limited) (the "Haitong Manager") has been managing the funds and assets of Haitong for institutional and private clients. Haitong had defined investment objectives and mandates to invest in a wide range of companies. Investors of the funds were required to effectively delegate, without recourse, the investment decisions and voting powers of the Shares to the Haitong Manager. The Haitong Manager has no other connection with the Company.

Save as disclosed above, as at 31 December 2018, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2018, none of the Directors had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director or his connected entity has or had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party subsisting during or at the end of the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 24 June 2019 to Friday, 28 June 2019 (both days inclusive), during which period no transfer of the shares will be effected. The holders of shares whose names appear on the register of members of the Company on Friday, 28 June 2019 will be entitled to attend and vote at the annual general meeting of the Company. In order to qualify for attending and voting at the annual general meeting of the Company or any adjournment thereof, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Friday, 21 June 2019.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Laws of the Cayman Islands) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has also arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 24 June 2018, which become effective on the Listing Date. The purpose of which is to motivate the relevant participants to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The Board may, at its absolute discretion, grant options to any employee (full-time or part-time), Directors, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group (together, the "Participants" and each a "Participant").

The maximum number of shares, which may be issued upon exercise of all options granted or to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not in aggregate exceed 10% of the total number of shares in issue as at 16 July 2018, i.e. 150,000,000 shares.

Unless approved by shareholders of the Company in general meeting in the manner stipulated in the Listing Rules, the maximum entitlement for each Participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period shall not exceed 1% of the total number of shares in issue.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant under the Share Option Scheme. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant with 7 days inclusive of the day on which such offer was made.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a Participant and shall be at least highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of a share.

The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date and the remaining life of the Share Option Scheme is 10 years.

There is no option outstanding, granted, exercised, cancelled and lapsed during the year ended 31 December 2018.

As at the date of this report, the total number of securities available for issue under the Share Option Scheme is 150,000,000, representing approximately 10% of the issued shares of the Company.

EQUITY-LINKED AGREEMENTS

Save as disclosed above, no equity-linked agreements were entered into during the Reporting Period or subsisted at the end of the Reporting Period.

RELATED PARTY TRANSACTIONS

Details of material related party transactions entered into by the Group during the Reporting Period are set out in note 29 to the financial statements. For the year ended 31 December 2018, none of these related party transactions are connected transaction which are subject to the disclosure requirements of Chapter 14A of the Listing Rules in respect of such transactions.

CONNECTED TRANSACTION

For the year ended 31 December 2018, there was no transactions which constituted connected transaction(s) or continuing connected transaction(s) of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float of not less than 25% of its shares in the hands of the public throughout the Reporting Period and up to the date of this report.

EVENT AFTER THE END OF THE REPORTING PERIOD

Discloseable Transaction in relations to Acquisition of Property

On 25 January 2019, Miji Electronics and Appliances (Shanghai) Ltd. (米技電子電器（上海）有限公司) (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with 上海愷崇房地產開發有限公司 (Shanghai Kaichong Property Development Co., Ltd.*) (the "Vendor"), pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell one unit of 愷尚大廈 (Kaishang Building*), a commercial building situated at No. 5, Lane 158, Pan Yang Road, Huacao Town, Minhang District, Shanghai, China with a gross floor area of 407.36 square meters (the "Property"), by way of pre-sale prior to the completion of the construction of the Property, at a consideration of RMB14,298,336 (the "Acquisition").

* For identification purpose only

As certain applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are above 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

For details of the Acquisition, please refer to the announcement of the Company dated 25 January 2019.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this report.

BUSINESS REVIEW

A fair review of the business and outlook of the Company as well as a discussion and analysis of the Group's performance during the year ended 31 December 2018 and the material factors underlying its results and financial position can be found in the Chairperson's Statement on pages 4 to 5 and the Management Discussion and Analysis on pages 6 to 11 of this annual report. An analysis using financial key performance indicators can be found in the Financial Summary on page 3 of this annual report. These discussions and financial highlights form part of this Directors' Report.

ENVIRONMENTAL POLICY

The Group is committed to achieve the development of sustainability of communities. An environmental policy has been adopted by the Group for implementation of environmentally friendly measures and practices in the operation of the Group's businesses. The Group adheres to the principle of recycling and reducing and implements green office practices, e.g. using recycled paper, setting up recycling bins, and double-sided printing and copying.

The Group will review the environmental policy from time to time and will consider implementing further environmentally friendly measures and practices in the operation of the Group's businesses. A discussion and analysis of the Group's environmental policy can be found in the Environmental, Social and Governance Report on pages 28 to 35 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Company compiles with the requirements under the Companies Law of the Cayman Islands, the Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance.

During the year ended 31 December 2018, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that have a significant impact on the Group's business.

PRINCIPAL RISKS AND UNCERTAINTIES

The following lists out the principal risks and uncertainties facing the Group.

Global Economic Conditions

The global economic condition has been weaker than expected. Downside risks have been increased since there is slowing growth in emerging markets. The continuing adverse economic conditions may affect the results of operations and financial performance of the Group adversely.

To address economic uncertainties, the Group pursues steady earnings growth by strengthening product portfolio, enhancing in-store promotion, adopting careful cautious network diversification plan on points of sales, intensifying cost controlling measures and exploring business diversification opportunities.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the accomplishment of our employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the Reporting Period.

Before placement of purchase orders to its suppliers, the Group considers their product price, product quality, production capacity, financial conditions, delivery schedule, business scale and reputation. The Group builds its business and brand recognition on product quality and customer satisfaction. Its suppliers are required to meet the desired quality standards and deliver their products on time. The Group has implemented a stringent quality control system to ensure that the products from its suppliers can meet the Group's quality standard and any defective products will be returned to suppliers. Further, the Group's procurement team communicates with its suppliers regularly to ensure that the suppliers understand the Group's quality requirements and they can deliver the products on time.

The Group's suppliers generally grant credit period of not exceeding 60 days to the Group. Details of the trade payables of the Group as at 31 December 2018 are set out in note 23 to the financial statements. The Directors confirmed that the Group had no disputes with its suppliers and there had been no material defaults in the settlement of the Group's trade payables during the Reporting Period.

During the Reporting Period, purchases from the Group's largest supplier and the five largest suppliers accounted for approximately 17.0% and 57.6% (2017: 13.9% and 57.3%) of the total purchases, respectively.

The Group's major suppliers are manufacturers of (i) electronic components, control panels and ceramic glass panels used in the production of the Group's hobs and stoves; and (ii) pots and pans. The Group has maintained business relationship with its five largest suppliers during the Reporting Period ranging from one to sixteen years.

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

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyze on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products are offered to the customers.

The Group has implemented various marketing strategies to promote its corporate brand and products and it has also spent plenty of resources to expand its sales channels. It is expected that the marketing effort and resources spent would increase the Group's sales revenue and market share in the PRC's kitchen appliance industry. Along with the increasing sales revenue, the Group also closely monitors credit risk by performing regular review on the credit period granted to its customers and following up on outstanding trade receivables. The Directors confirmed that the Group had no disputes with its customers and there had been no material defaults in the recovery of the Group's trade receivables during the Reporting Period.

The Group generally grant credit period ranging from 30 to 90 days for consignment sales; 30 to 60 days for television sales; and up to six months for corporate sales. For online sales, sales to distributors and new customers with smaller business scale, the Group generally requires them to make full payment before product delivery. Furthermore, the Group offer a 12-month credit period to a customer that has a very long business relationship with the Group. Details of the trade receivables of the Group as at 31 December 2018 are set out in note 19 to the financial statements.

During the Reporting Period, sales to the Group's largest customer and five largest customers accounted for 22.1% and 44.3% (2017: 15.1% and 46.3%) of the total revenue, respectively.

The Group's major customers are distributors or consignees which operate online sales platforms and/or television platforms in the PRC. The Group has maintained business relationship with its five largest customers during the Reporting Period ranging from two to thirteen years.

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

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner.

CHARITABLE DONATIONS

The Group did not make any donations during the Reporting Period (2017: RMB0.1 million).

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting.

On behalf of the Board
Miji International Holdings Limited

Maeck Can Yue
Chairperson
Hong Kong, 18 March 2019

羅兵咸永道

To the Members of Miji International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Miji International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 116, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

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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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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 impairment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables	
Refer to notes 2.9, 3.1(c), 4(a) and 19(a) to the consolidated financial statements. As at 31 December 2018, the Group had gross trade receivables of approximately RMB68,197,000, of which a provision for impairment of approximately RMB679,000 was recognised. The Group applied the HKFRS 9 simplified approach to measure lifetime expected credit losses ("ECL") allowance for all trade receivables. Accordingly, management grouped trade receivables with similar credit risk characteristics and ageing profile. The estimated ECL rates were based on historical credit loss rates for different groups and adjusted to reflect the current and multiple forward-looking information on macro-economic factors that are considered relevant to determine the ability of customers to settle the receivables in the future. Management also assessed the sufficiency of the ECL estimation by considering the subsequent settlement status, credit profile and on-going trading relationships with the customers. We focused on this area because the estimation of ECL involved a significant level of judgement by management to determine the use of internal and external data from various sources to establish the historical credit loss experience and to adjust this experience for expected future changes, recognising that these factors are all subject to a certain level of uncertainty.	Our procedures on management's assessment of the impairment of trade receivables included: • Understood, evaluated and validated the key controls performed by management over the impairment assessment process, in particular those over the identification of impaired receivables and the calculation of provisions according to the lifetime ECL model. • Evaluated management's assessment of the historical credit loss rates by sample checking inputs in respect of the assumptions made, such as historical payment records, correspondence on any disputes or claims with the customers and subsequent settlement records. • Understood the status of each of the material trade receivables past due as at year end, the Group's on-going business relationships with the relevant customers and past settlement history of the customers through discussion with management. • Checked the computation of the amount of provision and evaluated the expected future changes in credit risks in management's assessment by sample checking the inputs to the assumptions to external data sources. • Performed testing, on a sample basis, of the accuracy of the trade receivables ageing report. Based on the results of the procedures performed, we found management's judgement and assumptions applied in respect of the impairment of trade receivables to be supported by available evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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.

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

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

- 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.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	5	**281,690**	255,384
Cost of sales	8	**(131,890)**	(118,879)
Gross profit		**149,800**	136,505
Other income	6	**4,781**	1,354
Other gains/(losses), net	7	**769**	(682)
Selling and distribution expenses	8	**(92,330)**	(71,282)
Administrative expenses	8	**(24,089)**	(27,535)
Research and development expenses	8	**(11,662)**	(11,693)
Operating profit		**27,269**	26,667
Finance income	10	**418**	240
Finance costs	10	**(1,782)**	(1,113)
Finance costs, net		**(1,364)**	(873)
Share of profit of an associate	14	**2,519**	1,021
Profit before income tax		**28,424**	26,815
Income tax expense	11	**(4,737)**	(5,734)
Profit for the year		**23,687**	21,081
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**7**	251
Release of reserve upon disposal of a subsidiary		**–**	81
Other comprehensive income for the year, net of tax		**7**	332
Total comprehensive income for the year		**23,694**	21,413

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Profit attributable to:			
Owners of the Company		**22,404**	20,394
Non-controlling interest		**1,283**	687
		23,687	21,081
Total comprehensive income attributable to:			
Owners of the Company		**22,411**	20,726
Non-controlling interest		**1,283**	687
Total comprehensive income for the year		**23,694**	21,413
Earnings per share attributable to owners of the Company for the year			
Basic and diluted	12	**RMB1.73 cents**	RMB1.81 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Land use right and property, plant and equipment	15	**7,612**	7,623
Investment in an associate	14	**4,779**	4,925
Intangible assets	16	**1,002**	1,040
Deferred income tax assets	25	**2**	104
Prepayments	19	**3,998**	–
		17,393	13,692
Current assets			
Inventories	18	**56,272**	44,959
Trade receivables	19	**67,518**	43,205
Other receivables, deposits and prepayments	19	**27,370**	18,212
Restricted bank deposit	20	**17,524**	–
Bank deposits	20	**35,048**	–
Cash and cash equivalents	20	**46,944**	61,585
		250,676	167,961
Total assets		**268,069**	181,653
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	**12,561**	–
Combined capital	21	**–**	1
Share premium	21	**72,173**	–
Reserves	22	**86,274**	63,862
		171,008	63,863
Non-controlling interest	32	**3,745**	4,647
Total equity		**174,753**	68,510

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	23	**43,788**	63,086
Borrowings	24	**41,600**	40,000
Amount due to an associate	29	**336**	148
Amount due to a non-controlling interest	32	**2,185**	2
Contract liabilities		**2,732**	–
Advance receipts from customers		**–**	5,988
Current income tax liabilities		**2,675**	3,919
		93,316	113,143
Total liabilities		**93,316**	113,143
Total equity and liabilities		**268,069**	181,653

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 50 to 116 were approved for issue by the Board of Directors on 18 March 2019 and were signed on its behalf.

Madam Maeck Can Yue **Mr. Walter Ludwig Michel**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital RMB'000	Combined capital RMB'000	Share premium RMB'000	Reserves RMB'000 (Note 22)	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2017	–	4,270	–	23,862	5,269	33,401
Profit for the year	–	–	–	20,394	687	21,081
Other comprehensive loss:						
Currency translation differences	–	–	–	251	–	251
Release of reserve upon disposal of a subsidiary	–	–	–	81	–	81
Total comprehensive income for the year	–	–	–	20,726	687	21,413
Dividends (Note 26)	–	–	–	(26,357)	(1,448)	(27,805)
Acquisition of non-controlling interest	–	–	–	(739)	139	(600)
Capital injection from shareholders to Miji Holdings Limited (Note 1.2)	–	1	–	19,319	–	19,320
Reclassification of the share capital of Miji Electronic and Appliances (Shanghai) Limited from combined capital to other reserves (Note 1.2)	–	(4,055)	–	4,055	–	–
Deemed distribution of Miji GmbH (Note 1.2)	–	(215)	–	(1,333)	–	(1,548)
Capital injection from the controlling shareholder to a subsidiary (Note 22)	–	–	–	24,329	–	24,329
Total transactions with owners	–	(4,269)	–	19,274	(1,309)	13,696
At 31 December 2017	–	1	–	63,862	4,647	68,510

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital RMB'000	Combined capital RMB'000	Share premium RMB'000 (Note 21)	Reserves RMB'000 (Note 22)	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2018	–	1	–	63,862	4,647	68,510
Profit for the year	–	–	–	22,404	1,283	23,687
Other comprehensive income:						
Currency translation differences	–	–	–	7	–	7
Total comprehensive income for the year	–	–	–	22,411	1,283	23,694
Dividends declared to a non-controlling interest (Note 32)	–	–	–	–	(2,185)	(2,185)
Reclassification of the share capital of Miji Holdings Limited from combined capital to other reserve	–	(1)	–	1	–	–
Capitalisation of shares (Note 21)	9,327	–	(9,327)	–	–	–
Issuance of shares for initial public offering (Note 21)	3,234	–	93,750	–	–	96,984
Share issuance costs (Note 21)	–	–	(12,250)	–	–	(12,250)
Total transactions with owners	12,561	(1)	72,173	1	(2,185)	82,549
At 31 December 2018	12,561	–	72,173	86,274	3,745	174,753

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 2018

	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	27	**(40,735)**	17,801
Income tax paid		**(5,879)**	(3,048)
Net cash (used in)/generated from operating activities		**(46,614)**	14,753
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,548)**	(998)
Purchase of intangible assets		**(197)**	(257)
Proceeds from disposal of property, plant and equipment	27	**158**	70
Interest received		**418**	240
Dividend received from an associate		**2,665**	50
Prepayment for property, plant and equipment		**(3,998)**	–
Increase in bank deposits		**(35,048)**	–
Net cash used in investing activities		**(37,550)**	(895)
Cash flows from financing activities			
Proceeds from issuance of shares for initial public offering		**96,984**	–
Listing expenses paid (equity portion)		**(10,435)**	(1,815)
Interest paid		**(1,782)**	(1,113)
Dividend paid to a non-controlling interest		**–**	(1,448)
Repayment to a shareholder		**–**	(46,868)
Advance from a non-controlling interest		**–**	4,014
Repayment to a non-controlling interest		**(2)**	(92)
Proceeds from bank borrowings		**51,600**	62,000
Repayment of bank borrowings		**(50,000)**	(28,000)
Increase in restricted bank deposit		**(17,524)**	–
Capital injection from shareholders		**–**	43,649
Deemed distribution of Miji GmbH		**–**	(1,548)
Acquisition of a non-controlling interest	1.2(iii)	**–**	(600)
Proceeds from disposal of a subsidiary		**–**	300
Net cash generated from financing activities		**68,841**	28,479
Net (decrease)/increase in cash and cash equivalents		**(15,323)**	42,337
Effect of exchange difference		**682**	(31)
Cash and cash equivalents at beginning of the year		**61,585**	19,279
Cash and cash equivalents at end of year	20	**46,944**	61,585

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, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information of the Group

The Company was incorporated in the Cayman Islands on 16 May 2017 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, the Cayman Islands.

The Company is an investment holding company and the subsidiaries now comprising the Group mainly engages in the development, manufacturing and selling of kitchen appliances in the People's Republic of China (the "PRC") (the "Listing Business").

The Company commenced its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited on 16 July 2018.

The consolidated financial statements are presented in thousands of units of Renminbi ("RMB'000") unless otherwise stated.

1.2 Reorganisation

In preparation for listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the reorganization (the "Reorganisation") as described below to transfer the Listing Business to the Company.

Prior to the incorporation of the Company and the completion of the Reorganisation, the Listing Business was carried out by Miji Electronics and Appliances (Shanghai) Ltd. ("Miji Shanghai"), Miji GmbH ("Miji Germany"), Shanghai Miji Catering Management Company Limited ("Miji Catering"), MKY Shanghai Mikaiyi Kitchen Co. Ltd ("Mikaiyi"), Shanghai Miji Yongxing Electrical Appliances Company Limited ("Miji Yongxing") and Miji Germany (Hong Kong) Company Limited ("Miji Hong Kong") collectively the "Operating Companies". The Operating Companies were controlled by Ms. Madam Maeck ("Madam Maeck") (the "Controlling Shareholder") before and after the Reorganisation.

The Reorganisation was carried out principally through the following steps:

(i) Incorporation of the Company and intermediate holding companies

On 16 May 2017, our Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 per share. One nil-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was later transferred to Wide Big Limited ("Wide Big"), directly and wholly owned by Madam Maeck, on the same date.

Miji Holdings Limited ("Miji Holdings") was incorporated in the British Virgin Islands (the "BVI") with limited liability on 18 May 2017 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. One fully paid ordinary share of Miji Holdings was allotted and issued to Wide Big on 18 May 2017 at par 79 shares of Miji Holdings were further allotted and issued to Wide Big, credited as fully paid, on 13 September 2017. Pursuant to a subscription agreement, 5 and 15 shares of Miji Holdings were allotted and issued to two independent third parties, respectively, credited as fully paid, on 13 September 2017 at cash consideration of HK$5,800,000 and HK$17,400,000, respectively.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Continued)

1.2 Reorganisation (Continued)

(i) Incorporation of the Company and intermediate holding companies (Continued)

Miji International Group Limited ("Miji International") was incorporated in the BVI with limited liability on 22 May 2017 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. One fully paid ordinary share of Miji International was allotted and issued to Miji Holdings on 22 May 2017 at par.

Miji Hong Kong Investments Limited ("Miji Investments") was incorporated in Hong Kong with limited liability on 29 June 2017 with 10,000 issued shares and a total share capital of HK$1. 10,000 fully paid ordinary shares of Miji Investments were allotted and issued to Miji International on 29 June 2017 at par.

(ii) Transfer of the entire interests in Miji Shanghai

Pursuant to an equity transfer agreement dated 21 August 2017 entered into between Madam Maeck and Miji Investments, Madam Maeck transferred the entire issued share capital of Miji Shanghai to Miji Investments at a cash consideration of RMB20,000,000, which was subsequently contributed by the Controlling Shareholder to the Group.

(iii) Acquisition of the remaining interests in Mikaiyi, a subsidiary of Miji Shanghai

Pursuant to an equity transfer agreement dated 9 March 2017 entered into between Miji Shanghai and Mr. Yu, a non-controlling shareholder of Mikaiyi, Mr. Yu transferred 20% of equity interest to Miji Shanghai at a cash consideration of RMB600,000.

(iv) Transfer of the entire interests in Miji Germany

Pursuant to an equity transfer agreement dated 5 October 2017 entered into between Madam Maeck and Miji Investments, Madam Maeck transferred the entire issued share capital of Miji Germany to Miji Investments at a cash consideration of EUR200,000.

(v) Disposal of the entire interests in Shanghai Miji Catering, a subsidiary of Miji Shanghai

Pursuant to an equity transfer agreement dated 21 August 2017 entered into between Miji Shanghai and an independent third party, Miji Shanghai transferred 80% equity interest in Miji Catering to the independent third party at a cash consideration of RMB300,000.

(vi) Disposal of the entire interests in Miji Hong Kong, a subsidiary of Miji Shanghai

Pursuant to an equity transfer agreement dated 18 October 2017 entered into between Miji Shanghai and an independent third party, Miji Shanghai transferred the entire equity interest in Miji Hong Kong to the independent third party at a cash consideration of HK$1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Continued)

1.2 Reorganisation (Continued)

(vii) Incorporation of Miji Electronics and Appliances (Beijing) Limited ("Miji Beijing")

Miji Beijing was incorporated in the PRC with limited liability on 7 December 2017 and is wholly-owned by Miji Shanghai since its establishment. Miji Beijing has a registered capital of RMB1,000,000.

(viii) Transfer of shares between the Company, Wide Big and the remaining two shareholders

Pursuant to the sale and purchase agreement dated 21 June 2018, the Company agreed to acquire respectively from (1) Wide Big 80 shares of Miji Holdings; and (2) Shunzhi Investment Limited ("Shunzhi") and Haitong Dynamic Multi-Tranche Investment Fund III S.P. ("Haitong") 5 shares and 15 shares of Miji Holdings, respectively, prior to the share transfer, which in aggregate represent the entire issued share of Miji Holdings and in consideration, (i) the one nil paid Share held by Wide Big will be credited as fully paid, and (ii) 79 Shares, 5 Shares and 15 Shares, all credited as fully paid, were allotted and issued to Wide Big, Shunzhi and Haitong, respectively.

1.3 Basis of presentation

Immediate prior to and after the Reorganization, the Listing Business has been conducted by the Operating Companies. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganization of the Listing Business with no change in management of such business and the ultimate owner of the Listing Business remains the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuance of the combined statements of the Operating Companies, with the assets and liabilities of the Group recognised and measured at the carrying amount of the Listing Business under the combined financial statements of the Operating Companies for all periods presented.

Intercompany transactions, balances and unrealized gains/losses on transactions between subsidiaries now comprising the Group are eliminated upon combinations.

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.

2.1 Basis of preparation

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. The consolidated financial statements have been prepared on a historical cost basis.

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 2018:

HKFRS 1 (Amendment)	First time adoption of HKFRSs
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Revenue from Contracts with Customers
Hong Kong Accounting Standard ("HKAS") 28 (Amendments)	Investment in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The impact of adoption of HKFRSs 9 and 15 have been disclosed below while for other amendments to existing standards, they did not result in any significant impact on the results and financial position of the Group. No retrospective adjustments are required.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

New and amended standards adopted by the Group (Continued)

The following new standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2019:

		Effective for accounting periods beginning on or after
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined
HKAS 1 and HKAS 8 (Amendments)	Definition of Materiality	1 January 2020
HKAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	1 January 2019
HKAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Annual Improvements Project	Annual Improvements 2015–2017 Cycle (Amendment)	1 January 2019

(i) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group is in the process of reviewing the Group’s leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group’s operating leases.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of RMB4,983,000 (Note 28). Of these commitments, approximately RMB2,563,000 relate to short-term leases and RMB1,293,000 related to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately RMB1,127,000 on 1 January 2019.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements.

(a) HKFRS 9 – Impact on the consolidated financial statements

As explained in the notes below, HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting, which is not relevant to the Group for the year. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. All classes of financial assets and financial liabilities had the same carrying amounts in accordance with HKAS 39 and HKFRS 9 on 1 January 2018.

(ii) Impairment of financial assets

The Group's significant financial assets which are subject to the new expected credit loss model include trade receivables and other receivables. The Group was required to revise its impairment methodology under HKFRS 9 for these classes of financial assets.

While cash and cash equivalents and bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been classified based on shared credit risk characteristics and the days past due. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 January 2018.

Trade receivables are written off when 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(b) HKFRS 9 – Financial Instruments – Accounting policies applied from 1 January 2018

Classification

From 1 January 2018, 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.

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 gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(b) HKFRS 9 – Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

Debt instruments (Continued)

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 revenue 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 gains/(losses). 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 gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

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 consolidated statement of comprehensive income and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(c) HKFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated.

The effects of the adoption of HKFRS 15 are related to presentation of contract liabilities. Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for receipt in advance from customers were previously presented as accruals and other payables.

In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application on 1 January 2018:

	HKAS 18 carrying amount as at 31 December 2017	Reclassification	HKFRS 15 carrying amount as at 1 January 2018
	RMB'000	RMB'000	RMB'000
Consolidated statement of financial position (extract)			
Advance receipts from customers	5,988	(5,988)	–
Contract liabilities	–	5,988	5,988

The Group manufactures and sells a range of electronic appliance, including mainly electronic stoves, in both wholesale and retail markets. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell 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 delivered to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have 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.

A receivable is recognised when the goods are delivered 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Principal of consolidation and equity accounting

(i) *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.

Non-controlling interests ("NCI") in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) *Associate*

Associate is entity over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

(iii) *Equity method*

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associate are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

(iv) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Principal of consolidation and equity accounting (Continued)

(iv) Changes in ownership interests (Continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(v) Separate financial statements

Investment in a subsidiary 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 investment in a subsidiary is required upon receiving a dividend from the investment 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 chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the Consolidated 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 RMB, which is the Company's functional and the Group's presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(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.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within "other gains/(losses), net".

(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:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this 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 dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

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.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Land use right and property, plant and equipment

Land use right

Land use right is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the right to use the land on which various plants and buildings are situated for a period of 47 years. Amortisation of land use right is calculated on a straight-line basis over the period of leases.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated 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 the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Buildings	20 years
Leasehold improvements	Shorter of remaining lease term or 3 years
Furniture and office equipment	3–5 years
Motor vehicles	5 years
Machinery	3–10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

2.7 Intangible assets

Software and website

Acquired computer software licenses and website are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and website. Intangible assets are amortised over their estimated useful lives of 3 to 10 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Investment and other financial assets

2.9.1 Classification

From 1 January 2018, 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.

2.9.2 Recognition and derecognition

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investment and other financial assets (Continued)

2.9.3 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 gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

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 gains/(losses). 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 gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

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 gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investment and other financial assets (Continued)

2.9.4 Impairment

From 1 January 2018, 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 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 for further details.

2.9.5 Accounting policies applied until 31 December 2017

(a) Classification

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

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

(b) Recognition and measurement

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

(c) Impairment of financial assets carried at amortised cost

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investment and other financial assets (Continued)

2.9.5 Accounting policies applied until 31 December 2017 (Continued)

(c) Impairment of financial assets carried at amortised cost (Continued)

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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 Trade and other receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Inventories

Raw materials and finished goods

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

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares 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 60 days of recognition. 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 Borrowings

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the year/period in which they are incurred.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the year in which they are incurred.

2.18 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax (Continued)

(c) Offsetting

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

2.19 Employee benefits

(a) Retirement benefit obligations

Full time employees of the Group's PRC entities participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labour regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. Full time employees who have passed the probation period are entitled to such benefits.

The Group also participates in defined contribution schemes which are available to Germany employees. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the profit or loss as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the 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.

(c) Employee leave entitlement

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 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 has been 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 the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and 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 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 and 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.

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.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or a receivables is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivables is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group's revenue is primarily derived from sales of goods.

Revenue from sales of goods

The Group manufactures and sells a range of kitchen appliances primarily in both wholesale and retail markets. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customers has full discretion over the channel and price to sell 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, net of discounts. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision in the consolidated statement of financial position, if any.

As receivable is recognised when the goods are delivered 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.

2.22 Leases – as a lessee

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

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants to compensate the current year expenses are recognised in the consolidated statement of comprehensive income under "other income".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Dividend distribution

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

2.25 Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as assets in subsequent periods.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Risk management is carried out by a finance department headed by the financial controller of the Group (the "Finance Department"). The Finance Department identifies and evaluates financial risks in close co-operation within the Group to cope with overall risk management, as well as specific areas, such as fair value interest rate risk, foreign currency risk, credit risk and liquidity risk.

(a) Cash flow and fair value interest rate risk

Cash flow and fair value interest rate risk refers to the changes in cash flows or fair value of a financial instrument as a result of fluctuations in market interest rates.

Restricted bank deposit, bank deposits, cash and cash equivalents and bank borrowings at variable rates expose the Group to cash flow interest-rate risk.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. Management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level and will consider hedging significant interest rate exposure should the need arises.

As at 31 December 2018, it is estimated that if restricted bark deposit, bank deposits, cash and cash equivalents and borrowings at variable rates experience a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, the Group's profit for the year would increase/ decrease by approximately RMB483,000 (2017: RMB265,000), respectively. The 100 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Foreign currency risk*

The Group mainly operates in the PRC and most of their transactions are denominated in Chinese Renminbi ("RMB"). The Group is exposed to foreign exchange risk primarily through its bank balances that are denominated in a currency other than the functional currency of the Company's or its subsidiaries' to which they relate.

The Group considers its foreign currency exposure is mainly arising from the exposure of the RMB against the Hong Kong Dollars ("HK$") and US Dollars ("USD").

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group has not adopted hedge accounting.

As at 31 December 2018, if RMB strengthened/weakened against the HK$ by 10% with all other variables held constant the Group's profit for the year will be approximately RMB5,694,000 (2017: RMB868,000) lower/higher respectively.

As at 31 December 2018, if RMB strengthened/weakened against the USD by 10% with all other variables held constant the Group's profit for the year will be approximately RMB2,623,000 (2017: RMB184,000) lower/higher respectively.

(c) *Credit risk*

The credit risk of the Group mainly arises from bank deposits, cash and cash equivalents, trade receivables and other receivables and deposits.

(i) *Risk management*

To manage this risk, restricted bank deposit, bank deposits and cash and cash equivalents of the Group are mainly placed with state-owned financial institutions and reputable banks. The Group has policies in place to ensure that sales are made to reputable and creditworthy customers with an appropriate financial strength, credit history and an appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group reviews regularly the authorisation of credit limits to individual customers and recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

As at 31 December 2018, there was 2 customers (2017: 2 customers) which individually contributed over 10% of the Group's trade receivables. The amount of trade receivables from these customers amounted to 23.7% (2017: 51.5% of the Group's total trade receivables. The major debtors of the Group are reputable organisations and with no history of default. Management considers that the credit risk is limited in this regard.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) Impairment of financial assets

Trade receivables for sales of inventory of the Group is subject to the expected credit loss model. While cash and cash equivalents and other financial assets at amortised cost are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

Prior to the adoption of HKFRS 9, the Group reviews the recoverable amount of each individual trade receivable carried at amortised cost at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's past experience in collection of trade receivables falls within the recorded allowances.

Upon the adoption of HKFRS 9, the Group's credit risk assessment of these trade receivables carried at amortised cost also takes into account forward looking information, such as general economy measure and changes in macroeconomic indicators, to estimate lifetime expected credit losses.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group recognised lifetime expected credit loss for trade receivables carried at amortised cost based on either individually customers who are long overdue with significant amounts or known insolvencies or non-response to collection activities, or collectively assessing them for likelihood of recovery based on ageing of the balances with similar risk characteristics taking into account the forward looking information.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for trade receivables:

As at 31 December 2018	Lifetime expected loss rate %	Gross carrying amount RMB'000	Lifetime expected credit loss RMB'000	Net carrying amount RMB'000
Individual assessment	100%	652	(652)	–
Collective assessment (based on due date)				
Current	0%*	65,943	–	65,943
1 – 30 days	0%*	454	–	454
31 – 60 days	0%*	254	–	254
61 – 90 days	0%*	690	–	690
Over 90 days	13%	204	(27)	177
		68,197	(679)	67,518

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) ***Credit risk*** (Continued)

(ii) *Impairment of financial assets* (Continued)

Trade receivables (Continued)

As at 1 January 2018	Lifetime expected loss rate %	Gross carrying amount RMB'000	Lifetime expected credit loss RMB'000	Net carrying amount RMB'000
Individual assessment	100%	652	(652)	–
Collective assessment (based on due date)				
Current	0%*	42,852	–	42,852
1 – 30 days	0%*	270	–	270
31 – 60 days	0%*	39	–	39
61 – 90 days	0%*	40	–	40
Over 90 days	0%*	4	–	4
		43,857	(652)	43,205

* Expected credit loss is close to zero as these trade receivables have no recent history of default.

Trade receivables are written off when 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. 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.

Other financial assets at amortised cost

The Group has policies in place to monitor the credit exposure of the relevant parties. The Group will assess the financial capabilities of the relevant parties including its repayment histories, and its abilities to obtain financial support when necessary. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

As at 31 December 2018, the Group held cash and cash equivalents of RMB64,468,000 (2017: RMB61,585,000), that are expected to be readily available to generate cash inflows for managing liquidity risk.

The Group maintains liquidity by a number of sources including receivables and certain assets that the Group considers appropriate and short term financing. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

As at 31 December 2018 and 2017, all the Group's financial liabilities are categorised to mature within 12 months. Balances within 12 months equal carrying balances as impact from discount is not significant.

3.2 Capital management

The Group's objectives when managing capital are to safeguard their 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 monitors capital on the basis of the following gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. The capital is calculated as "equity" as show in the consolidated statement of financial position plus net debt.

The gearing ratios of the Group are as follows:

	2018 **RMB'000**	2017 RMB'000
Borrowings (Note 24)	**41,600**	40,000
Less: cash and cash equivalents (Note 20)	**(64,468)**	(61,585)
Net debt	**N/A**	N/A
Total equity	**174,753**	68,510
Total capital	**174,753**	68,510
Gearing ratio	**N/A**	N/A

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The carrying value less impairment of provision of trade and other receivables, deposits and prepayment and payables are approximation to their fair value due to short maturity.

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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

(a) Impairment of receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses significant judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, 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.

(b) Impairment of inventories

The Group makes provision for inventories based on an assessment of the realisability of inventories. Provisions are recognised where events or changes in circumstances indicate that the carrying value of inventories may not be realised. The identification of provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and provision for inventories in the period in which such estimate has been changed.

(c) Income tax

Significant judgement is required in determining the provision for income taxes and deferred income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax liabilities have not been established for withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the future.

5 SEGMENT INFORMATION AND REVENUE

The chief operating decision-makers have been identified as the executive directors of the Company. Management has determined the operating segments based on the information reviewed by the executive directors for the purpose of allocating resources and assessing performance. The only component in internal reporting to the executive directors are the Group's development, manufacturing and selling of kitchen appliance. In this regard, management considers there is only one operating segment under the requirements of HKFRS 8 operating segment.

The Group's activities are mainly carried out in the PRC and a majority of the Group's assets and liabilities of the operating companies are located in the PRC. As at 31 December 2018, non-current assets of RMB18,785,000 (2017: RMB12,951,000) of the Group are located in the PRC. For the year ended 31 December 2018, revenue of RMB280,590,000 (2017: RMB254,118,000) are derived from external customers in the PRC.

	2018 **RMB'000**	2017 RMB'000
Revenue		
Sales of goods	**281,690**	255,384
Timing of revenue recognition		
At a point of time	**281,690**	255,384

6 OTHER INCOME

	2018 **RMB'000**	2017 RMB'000
Government grant	**3,958**	1,350
Insurance claim recovered	**380**	–
Sundry income	**443**	4
	4,781	1,354

There are no unfulfilled conditions or other contingencies attaching to the government grant recognised during the year ended 31 December 2018 (2017: Nil).

7 OTHER GAINS/(LOSSES), NET

	2018 **RMB'000**	2017 RMB'000
Gain/(loss) on disposal of property, plant and equipment	**77**	(31)
Loss on disposal of a subsidiary	**–**	(562)
Net exchange gain	**692**	14
Others	**–**	(103)
	769	(682)

8 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, research and development expenses and administrative expenses are analysed as follows:

	2018 **RMB'000**	2017 RMB'000
Cost of materials used	**125,895**	114,361
Auditor's remuneration		
– Audit services	**1,309**	235
Legal and professional fee	**747**	1,167
Amortisation and depreciation	**1,715**	1,943
Employee benefit expenses (including directors' emoluments)	**32,653**	32,617
Consignment fee	**47,874**	28,466
Operating lease rentals	**2,973**	2,705
Decoration expenses	**1,976**	1,644
Advertising and promotion expenses	**7,812**	8,766
Listing expenses	**7,998**	11,097
Product design and inspection fee	**3,126**	2,149
Provision for bad debts expenses	**–**	652
Impairment losses on financial assets – trade receivables	**27**	–
Sundry expenses of consignment stores	**6,806**	8,863
Travelling and entertainment expenses	**3,525**	2,905
Transportation expenses	**4,089**	2,597
Others	**11,446**	9,222
Total cost of sales, selling and distribution expenses, research and development expenses and administrative expenses	**259,971**	229,389

9 EMPLOYEE BENEFIT EXPENSES

	2018 **RMB'000**	2017 RMB'000
Wages, salaries and benefits in kind (including directors' emoluments)	**25,618**	24,888
Bonuses	**846**	1,886
Retirement benefit costs		
– defined contribution plans	**6,189**	5,843
	32,653	32,617

9 EMPLOYEE BENEFIT EXPENSES (Continued)

Five highest paid individuals

For the year ended 31 December 2018, the five individuals whose emoluments were the highest in the Group include 2 directors (2017: 1), whose emoluments have been reflected in the analysis in Note 31. The emoluments paid/payable to the remaining individuals are as follows:

	2018 **RMB'000**	2017 RMB'000
Wages, salaries and benefits in kind	**1,196**	1,844
Bonuses	**–**	135
Retirement benefit costs – defined contribution plans	**313**	427
	1,509	2,406

The emoluments of the highest paid individuals fell within the following band:

	Number of individuals	
	2018	2017
Emolument band		
Nil to HK$1,000,000	**3**	4

10 FINANCE COSTS, NET

	2018 **RMB'000**	2017 RMB'000
Interest income:		
– Bank interest income	**418**	240
Finance income	**418**	240
Interest expenses:		
– Borrowings	**(1,775)**	(1,109)
– Others	**(7)**	(4)
Finance costs	**(1,782)**	(1,113)
Finance costs, net	**(1,364)**	(873)

11 INCOME TAX EXPENSES

	2018 RMB'000	2017 RMB'000
Current income tax	**4,635**	5,842
Deferred income tax	**102**	(108)
	4,737	5,734

(i) Cayman Islands profits tax

The Company is not subject to any taxation in the Cayman Islands.

(ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profits in Hong Kong during the year ended 31 December 2018 (2017: Nil).

(iii) The PRC enterprise income tax ("EIT")

Under the Enterprise Income Tax Law of the PRC (the "New EIT Law"), the applicable income tax rate for the Group's entities in the PRC, except for Miji Shanghai, is 25%.

Pursuant to the New EIT Law, with respect to a new and high technology enterprise, the tax levied on its income will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the "Certificate") and completing the tax reduction and exemption filing with the tax authorities. Miji Shanghai obtained the Certificate on 4 September 2014. The Certificate has expired on 3 September 2017. Miji Shanghai renewed the Certificate on 23 October 2017 and the Certificate will be expired on 22 October 2020.

(iv) Corporate income tax in Germany

Income tax on profits arising from Germany has been calculated on the estimated assessable profits for the year at the rate of approximately 30%.

(v) Withholding tax on distributed profits

Pursuant to the New EIT Law, a 10% withholding tax is levied on dividends declared by the PRC companies to their foreign investors. Deferred income tax liabilities have not been established for withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the future.

11 INCOME TAX EXPENSES (Continued)

(v) Withholding tax on distributed profits (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that used arise using the enacted tax rate applicable to profits of the Group's entities as follows:

	2018 RMB'000	2017 RMB'000
Profit before income tax	**28,424**	26,815
Less: Share of profit of an associate	**(2,519)**	(1,021)
	25,905	25,794
Tax calculated at domestic tax rates applicable to profits in the respective countries	**7,195**	7,845
Effects of the preferential tax rates	**(3,238)**	(3,592)
Expenses not deductible for tax purposes	**1,681**	2,205
Income not subject to tax	**(124)**	–
Tax losses for which no deferred tax assets was recognised	**193**	110
Tax relief on research and development cost (Note (a))	**(787)**	(834)
Over-provision on prior year	**(183)**	–
Income tax expenses	**4,737**	5,734

Note:

(a) The Group is entitled to a tax relief from the tax authority in the PRC on eligible research and development cost incurred. The Group can claim an extra 75% (2017: 50%) tax deduction based on those eligible research and development cost incurred at an applicable tax rate. It is credited to the consolidated statement of comprehensive income during the year in which they are incurred.

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation of shares which took place on 24 June 2018.

	2018	2017
Profit attributable to owners of the Company (RMB'000)	**22,404**	20,394
Weighted average number of ordinary shares in issue	**1,298,630,091**	1,124,999,901
Basic earnings per share (RMB cents)	**1.73**	1.81

(b) Diluted

Diluted earnings per share were the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the years.

13 SUBSIDIARIES

The following is a list of the principal subsidiaries at as 31 December 2018:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued and paid up capital	Effective interest held as at 2018	Effective interest held as at 2017
Directly held by the Company:					
Miji Holdings	British Virgin Islands (the "BVI"), limited liability company	Investment holding, Hong Kong	USD100	**100%**	100%
Indirectly held by the Company:					
Miji International	The BVI, limited liability company	Investment holding, Hong Kong	USD1	**100%**	100%
Miji Investments	Hong Kong, limited liability company	Investment holding and sale of cooking appliances, Hong Kong	HK$1	**100%**	100%
Miji Shanghai	The PRC, limited liability company	Design, manufacture and sale of cooking appliances, the PRC	USD6,750,000	**100%**	100%
Mikaiyi*	The PRC, limited liability company	Distribution of cabinets, electrical appliances and equipment for kitchen use, the PRC	RMB3,000,000	**100%**	100%
Shanghai Miji Yongxing Electrical Appliances Company Limited ("Miji Yongxing")*	The PRC, limited liability company	Sale of components of cooking appliances, the PRC	RMB5,000,000	**51%**	51%
Miji Germany	Germany, limited liability company	Design, manufacture and sale of cooking appliances, Germany	EUR25	**100%**	100%
Miji Beijing	The PRC, limited liability company	Design, manufacture and sale of cooking appliances, the PRC	RMB0	**100%**	100%

* *For identification purpose only*

14 INVESTMENT IN AN ASSOCIATE

The amount recognised in the consolidated statement of financial position is as follows:

	RMB'000
At 1 January 2017	3,954
Share of profit	1,021
Dividend received	(50)
At 31 December 2017	4,925
At 1 January 2018	**4,925**
Share of profit	**2,519**
Dividend received	**(2,665)**
At 31 December 2018	**4,779**

Set out below is the information of the associate of the Group as at 31 December 2018 and 2017, which, in the opinion of the directors, is material to the Group. The associate listed below has share capital consisting solely of ordinary shares, which are held by the Group.

Nature of investment in an associate:

Name	**Place of incorporation**	**Principal activities**	**Effective interest held as at 31 December 2018**	**Effective interest held as at 31 December 2017**
Miji Xuanshang	The PRC	Trading of home & electric appliance	**39%**	39%

Miji Xuanshang is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interests in the associate.

14 INVESTMENT IN AN ASSOCIATE (Continued)

Summarised financial information for material associate

Set out below is the summarised financial information of Miji Xuanshang which is accounted for by the Group using the equity method:

	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Assets and liabilities		
Total current assets	**26,042**	19,637
Total non-current assets	**19**	40
Total current liabilities	**(13,807)**	(7,048)
Total non-current liabilities	**–**	–
Net assets	**12,254**	12,629
Profit for the year		
Revenue	**109,104**	72,352
Profit and total comprehensive income for the year	**6,459**	2,622

The information above reflects the amounts presented in the financial statements of the associate (and not Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

	2018 RMB'000	2017 RMB'000
Dividend declared by the associate to the Group	**2,665**	50
Interest in an associate (39%)	**4,779**	4,925

15 LAND USE RIGHT AND PROPERTY, PLANT AND EQUIPMENT

	Land use right RMB'000	Buildings RMB'000	Leasehold improve-ments RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Total RMB'000
Balance at 1 January 2017							
Cost	1,269	7,428	1,969	4,013	1,751	2,058	18,488
Accumulated depreciation and amortisation	(269)	(3,201)	(1,289)	(3,059)	(1,042)	(1,203)	(10,063)
Net book amount	1,000	4,227	680	954	709	855	8,425
Year ended 31 December 2017							
Opening net book amount	1,000	4,227	680	954	709	855	8,425
Additions	–	–	194	545	188	71	998
Disposals	–	–	–	(79)	(22)	–	(101)
Amortisation and depreciation (Note 8)	(27)	(334)	(524)	(402)	(254)	(200)	(1,741)
Currency translation differences	–	–	–	5	32	5	42
	973	3,893	350	1,023	653	731	7,623
Balance at 31 December 2017							
Cost	1,269	7,428	2,014	3,885	1,758	2,137	18,491
Accumulated depreciation and amortisation	(296)	(3,535)	(1,664)	(2,862)	(1,105)	(1,406)	(10,868)
Net book amount	973	3,893	350	1,023	653	731	7,623

15 LAND USE RIGHT AND PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land use right RMB'000	Buildings RMB'000	Leasehold improve-ments RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Total RMB'000
Year ended 31 December 2018							
Opening net book amount	973	3,893	350	1,023	653	731	7,623
Additions	–	–	359	213	468	508	1,548
Disposals	–	–	–	(29)	(52)	–	(81)
Amortisation and depreciation (Note 8)	(28)	(334)	(323)	(337)	(211)	(246)	(1,479)
Currency translation differences	–	–	–	–	1	–	1
Closing net book amount	945	3,559	386	870	859	993	7,612
Balance at 31 December 2018							
Cost	1,269	7,428	2,373	3,806	1,841	2,645	19,362
Accumulated depreciation and amortisation	(324)	(3,869)	(1,987)	(2,936)	(982)	(1,652)	(11,750)
Net book amount	945	3,559	386	870	859	993	7,612

Amortisation and depreciation were included in the following categories in the consolidated statement of comprehensive income:

	2018 RMB'000	2017 RMB'000
Cost of sales	433	561
Distribution and selling expenses	424	565
Administrative expenses	405	426
Research and development expenses	217	189
	1,479	1,741

As at 31 December 2018, the Group's land use right and buildings amounting to RMB4,504,000 (2017: RMB4,866,000), were pledged as collateral for the Group's bank borrowings, details of which are set out in Note 24.

16 INTANGIBLE ASSETS

	Software RMB'000	Website RMB'000	Total RMB'000
At 1 January 2017			
Cost	989	267	1,256
Accumulated amortisation	(267)	(22)	(289)
Net book amount	722	245	967
Year ended 31 December 2017			
Opening net book amount	722	245	967
Additions	170	87	257
Amortisation	(101)	(101)	(202)
Currency translation differences	–	18	18
Closing net book amount	791	249	1,040
At 31 December 2017			
Cost	1,159	376	1,535
Accumulated amortisation	(368)	(127)	(495)
Net book amount	791	249	1,040
At 1 January 2018			
Cost	**1,159**	**376**	**1,535**
Accumulated amortisation	**(368)**	**(127)**	**(495)**
Net book amount	**791**	**249**	**1,040**
Year ended 31 December 2018			
Opening net book amount	**791**	**249**	**1,040**
Additions	**197**	**–**	**197**
Amortisation	**(110)**	**(126)**	**(236)**
Currency translation differences	**–**	**1**	**1**
Closing net book amount	**878**	**124**	**1,002**
At 31 December 2018			
Cost	**1,356**	**377**	**1,733**
Accumulated amortisation	**(478)**	**(253)**	**(731)**
Net book amount	**878**	**124**	**1,002**

Amortisation was included in administrative expenses in the consolidated statement of comprehensive income.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	
	2018	2017
	RMB'000	RMB'000
Assets as per consolidated statement of financial position		
Trade receivables	**67,518**	43,205
Other receivables and deposits	**7,937**	4,531
Bank deposits	**35,048**	–
Cash and cash equivalents	**64,468**	61,585
Total	**174,971**	109,321

	Financial liabilities at amortised cost	
	2018	2017
	RMB'000	RMB'000
Liabilities as per consolidated statement of financial position		
Trade and other payables	**27,833**	37,514
Borrowings	**41,600**	40,000
Amount due to an associate	**336**	148
Amount due to a non-controlling interest	**2,185**	2
Total	**71,954**	77,664

18 INVENTORIES

	2018	2017
	RMB'000	RMB'000
Parts and components	**10,666**	7,961
Finished goods	**45,606**	36,998
	56,272	44,959

For the year ended 31 December 2018, the cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB125,280,000 (2017: RMB113,278,000).

19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	2018 RMB'000	2017 RMB'000
Trade receivables	**68,197**	43,857
Loss allowance	**(679)**	(652)
Trade receivables, net	**67,518**	43,205

The carrying amounts of the trade receivables approximate their fair value and are denominated in RMB.

The Group's credit terms to trade receivables are generally 30 to 365 days. The ageing analysis of the trade receivables, based on invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
0–30 days	**29,059**	37,621
31–60 days	**19,062**	1,714
61–90 days	**15,917**	255
Over 90 days	**3,480**	3,615
	67,518	43,205

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

The closing loss allowances for trade receivables as at 31 December 2018 reconciled to the opening loss allowances as follows:

	2018 RMB'000	2017 RMB'000
Beginning of the year	**652**	–
Increase in loss allowance recognised in profit or loss during the year	**27**	652
End of year	**679**	652

As at 31 December 2018, trade receivables of RMB1,575,000 (2017: RMB353,000), were past due but not impaired.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience and having considered expected credit losses of these balances, management believes that no additional impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(b) Other receivables, deposit and prepayments

	2018 RMB'000	2017 RMB'000
Current		
Prepayments	**19,160**	10,173
Listing expenses	**–**	3,214
Deposits paid to consignment stores	**3,463**	2,169
Value added tax recoverable	**273**	235
Other receivables	**4,474**	2,421
	27,370	18,212
Non-current		
Prepayments for property, plant and equipment	**3,998**	–

The listing expenses are incurred in connection with the listing of the Group and have be deducted from equity upon listing of the Group.

The carrying amounts of other receivables and deposits approximate their fair values and are mainly denominated in RMB.

20 RESTRICTED BANK DEPOSIT, BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Restricted bank deposit (Note)	**17,524**	–
Bank deposits with original maturities of over three months	**35,048**	–
Cash and cash equivalents		
– Cash at bank	**46,894**	61,570
– Cash on hand	**50**	15
Total cash and bank balances	**99,516**	61,585

20 RESTRICTED BANK DEPOSIT, BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(Continued)

The carrying amounts of restricted bank balance, bank deposits and cash and cash equivalents approximate their fair values and are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	**14,191**	51,955
USD	**26,225**	2
Euro	**1,107**	950
HK$	**57,993**	8,678
	99,516	61,585

For the year ended 31 December 2018, the bank balances generated interest at prevailing market interest rates of approximately 0.4% (2017: 0.3%) per annum.

As at 31 December 2018, the Group had cash at banks amounting to approximately RMB31,738,000 (2017: RMB51,857,000) which are denominated in RMB, USD, EUR and HK$ and are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Note:

As at 31 December 2018, RMB17,524,000 are restricted deposits held at bank as a security for bank borrowings of the Group (Note 24) (2017: Nil).

21 SHARE CAPITAL, SHARE PREMIUM AND COMBINED CAPITAL

(a) Share capital and share premium

	Number of shares	**Nominal value of ordinary shares** HK$
Authorised:		
As at 16 May 2017 and 1 January 2018	38,000,000	380,000
Increase during the year (Note (b))	9,962,000,000	99,620,000
As at 31 December 2018	**10,000,000,000**	**100,000,000**

21 SHARE CAPITAL, SHARE PREMIUM AND COMBINED CAPITAL (Continued)

(a) Share capital and share premium (Continued)

	Number of shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued:				
As at 16 May 2017 and 1 January 2018	1	–	–	–
Issue of ordinary shares (Note (c))	99	–	–	–
Capitalisation of shares (Note (d))	1,124,999,900	11,250	9,327	(9,327)
Issuance of shares under initial public offering (Note (e))	375,000,000	3,750	3,234	93,750
Share issuance costs	–	–	–	(12,250)
As at 31 December 2018	**1,500,000,000**	**15,000**	**12,561**	**72,173**

Notes:

(a) The Company was incorporated with limited liability in the Cayman Islands on 16 May 2017 with an authorised share capital of 38,000,000 ordinary shares of HK$0.01 each. On the same date, 1 share of HK$0.01 was allotted and issued.

(b) On 24 June 2018, the shareholders resolved to increase the authorised share capital of the Company from HK$380,000 to HK$100,000,000 by the creation of 9,962,000,000 additional shares, each ranking pari passu with the shares then in issue in all respects.

(c) Pursuant to the sale and purchase agreement dated 21 June 2018, the Company agreed to acquire respectively from (1) Wide Big 80 shares of Miji Holdings; and (2) the remaining two shareholders 20 shares of Miji Holdings prior to the share transfer, which in aggregate represent the entire issued share of Miji Holdings and in consideration, (i) the one nil paid Share held by Wide Big will be credited as fully paid, and (ii) 79 Shares, five Shares and 15 Shares, all credited as fully paid, were allotted and issued to Wide Big, Shunzhi and Haitong, respectively.

(d) By a shareholder's written resolution dated 24 June 2018 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Shares, the Company issued additional 1,124,999,900 shares (the "Capitalisation Shares"), by way of capitalisation of approximately HK$11,250,000 standing to the credit of the Company's share premium account.

(e) On 16 July 2018, the Company issued 375,000,000 new shares at HK$0.3 each in relation to the initial public offering. The gross proceeds received by the Company from the initial public offering amounted to approximately HK$112,500,000 (equivalent to RMB96,984,000). These new shares rank pari passu with the existing shares in all respects.

(b) Combined capital

The Reorganisation has not been completed as at 1 January 2017 and 31 December 2017. The combined capital as at 1 January 2017 and 31 December 2017 represents the combined share capital of the companies now comprising the Group after elimination of inter-company investments.

22 RESERVES

The reserve movement of the Group are as follows:

	Statutory reserves RMB'000	Exchange reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	6,296	(334)	–	17,900	23,862
Profit for the year	–	–	–	20,394	20,394
Transfer to statutory reserves	3,058	–	–	(3,058)	–
Currency translation differences	–	332	–	–	332
Dividend	–	–	–	(26,357)	(26,357)
Acquisition of non-controlling interest	–	–	–	(739)	(739)
Capital injection from shareholders (Note 1.2)	–	–	19,319	–	19,319
Reclassification of the share capital of Miji Electronic and Appliances (Shanghai) Limited from combined capital to other reserves (Note 1.2)	–	–	4,055	–	4,055
Deemed distribution of Miji Germany (Note 1.2)	–	–	(1,333)	–	(1,333)
Capital injection from the Controlling Shareholder to a subsidiary (Note ii)	–	–	24,329	–	24,329
At 31 December 2017	9,354	(2)	46,370	8,140	63,862
At 1 January 2018	**9,354**	**(2)**	**46,370**	**8,140**	**63,862**
Profit for the year	**–**	**–**	**–**	**22,404**	**22,404**
Reclassification of the share capital of Miji Holdings from combined capital to other reserves (Note 1.2)	**–**	**–**	**1**	**–**	**1**
Transfer to statutory reserves	**3,250**	**–**	**–**	**(3,250)**	**–**
Currency translation differences	**–**	**7**	**–**	**–**	**7**
At 31 December 2018	**12,604**	**5**	**46,371**	**27,294**	**86,274**

Notes:

(i) In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the Articles of Association of the Group's subsidiaries incorporated in the PRC, an appropriation to the statutory reserves has to be made prior to profit distribution to the investor. The appropriation to the statutory reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

(ii) During the year ended 31 December 2017, the Controlling Shareholder made cash contribution to the Group through capital injection to the companies now comprising the Group, which accounted for as an increase in reserve, in which, the registered capital of Miji Shanghai was increased to US$4,200,000 and fully paid by the Controlling Shareholder.

23 TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables (Note (a))	**23,427**	34,253
Other payables and accruals (Note (b))	**20,361**	28,833
	43,788	63,086

Trade payables and other payables approximate their fair values and are denominated in RMB.

Notes:

(a) Trade payables

As at 31 December 2018, the ageing analysis of the trade payables, based on invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
1–30 days	**13,497**	24,325
31–60 days	**6,809**	5,887
61–90 days	**1,621**	3,915
Over 90 days	**1,500**	126
	23,427	34,253

(b) Other payables

	2018 RMB'000	2017 RMB'000
Accrued staff costs	**2,154**	3,667
Accrual for social security costs	**7,206**	6,823
VAT payable	**6,595**	9,825
Accrued listing expenses	**–**	5,258
Security deposit from customers	**2,010**	1,730
Other payables	**2,396**	1,530
Total	**20,361**	28,833

24 BORROWINGS

	2018 RMB'000	2017 RMB'000
Bank borrowings	**41,600**	40,000

The Group's bank borrowings were repayable within one year. The carrying amounts of bank borrowings approximated their fair values and were denominated in RMB.

As at 31 December 2018, these bank borrowings were carried at floating rates. The weighted average interest rates are 5.1% (2017: 5.1%) per annum.

As at 31 December 2018 and 2017, the exposure of the Group's borrowings to interest rate changes and the contractual repricing date at the end of the year are as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within 6 months	**23,000**	40,000
Between 6 and 12 months	**18,600**	–
	41,600	40,000

As at 31 December 2018, bank borrowings of RMB23,000,000 (2017: RMB40,000,000) and RMB15,600,000 (2017: nil) were secured by the land use right and buildings (Note 15) and restricted bank deposit of RMB17,524,000 (Note 20) respectively.

25 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off and the deferred income taxes relate to the same tax jurisdiction.

	2018 RMB'000	2017 RMB'000
At beginning of the year	**104**	(4)
(Charged)/credited to consolidated statement of comprehensive income	**(102)**	108
At end of the year	**2**	104

25 DEFERRED INCOME TAX (Continued)

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

	Elimination on unrealised profit RMB'000
Deferred income tax assets	
At 1 January 2017	70
Credited to the consolidated statement of comprehensive income	116
At 31 December 2017	186
At 1 January 2018	**186**
Charged to the consolidated statement of comprehensive income	**(95)**
At 31 December 2018	**91**

	Decelerated tax depreciation RMB'000
Deferred income tax liabilities	
At 1 January 2017	(74)
Charged to the consolidated statement of comprehensive income	(8)
At 31 December 2017	(82)
At 1 January 2018	**(82)**
Charged to the consolidated statement of comprehensive income	**(7)**
At 31 December 2018	**(89)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2018, the Group did not recognise deferred income tax assets of RMB952,000 (2017: RMB759,000) in respect of accumulated losses amounting to RMB3,808,000 (2017: RMB3,036,000) that can be carried forward against future taxable income. As at 31 December 2018, in respect of the accumulated losses, RMB623,000, RMB1,712,000, RMB570,000, RMB131,000 and RMB772,000 will be expired in 2019, 2020, 2021, 2022 and 2023 respectively.

As at 31 December 2018, management is of the view that undistributed earnings totaling RMB49,390,000 (2017: RMB25,371,000) are for re-investment in the PRC subsidiaries and not for distribution. Accordingly, deferred income tax liabilities of RMB4,939,000 (2017: RMB2,537,000) have not been recognised for the withholding tax that would be payable upon distribution of profits of the subsidiaries in the PRC.

25 DEFERRED INCOME TAX (Continued)

The analysis of deferred income tax assets and liabilities is as follows:

	2018 RMB'000	2017 RMB'000
Deferred income tax assets:		
– Recoverable within 12 months	**91**	186
Deferred income tax liabilities:		
– Recoverable after 12 months	**(89)**	(82)
	2	104

26 DIVIDENDS

	2018 RMB'000	2017 RMB'000
Dividends	**–**	26,357

For the year ended 31 December 2018, the Company did not declare any dividend.

For the year ended 31 December 2017, dividends of RMB26,357,000 were declared on 31 July 2017 by the companies now comprising the Group. All the dividends declared during the year ended 31 December 2017 have been transferred to the amount due to a shareholder.

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

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before income tax to cash (used in)/generated from operations:

	2018 RMB'000	2017 RMB'000
Cash flows from operating activities		
Profit before income tax	**28,424**	26,815
Adjustments for:		
Finance income	**(418)**	(240)
Finance costs	**1,782**	1,113
(Gain)/loss on disposal of property, plant and equipment	**(77)**	31
Gain on disposal of subsidiaries	**–**	562
Amortisation and depreciation on land use right and property, plant and equipment	**1,479**	1,741
Amortisation of intangible assets	**236**	202
Provision for bad debts expenses	**–**	652
Impairment losses on financial assets – trade receivables	**27**	–
Exchange gain	**(677)**	(559)
Share of profit of an associate	**(2,519)**	(1,021)
	28,257	29,296
Changes in working capital:		
Inventories	**(11,313)**	(9,377)
Trade receivables	**(24,340)**	(3,022)
Other receivables, deposits and prepayments	**(10,973)**	(7,657)
Trade and other payables	**(19,298)**	9,801
Contract liabilities/advance receipts from customers	**(3,256)**	(4,928)
Balances with an associate	**188**	3,688
Net cash (used in)/generated from operations	**(40,735)**	17,801

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2018 RMB'000	2017 RMB'000
Net book amount	**81**	101
Gain/(loss) on disposal of property, plant and equipment	**77**	(31)
Proceeds from disposal of property, plant and equipment	**158**	70

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Non-cash transaction:

During the year ended 2018, dividends payables of RMB2,185,000 (2017: RMB26,357,000) were transferred to the amount due to a non-controlling interest (2017: amount due to a shareholder).

Reconciliation of liabilities arising from financing activities

This section sets out the reconciliation of liabilities arising from financing activities for the years ended 31 December 2018 and 2017.

	Bank borrowings	Amount due to a shareholder	Amount due to a non-controlling interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	6,000	20,511	–	26,511
Non cash – dividend declared	–	26,357	–	26,357
Cash flow	34,000	(46,868)	2	(12,866)
At 31 December 2017	40,000	–	2	40,002
At 1 January 2018	**40,000**	**–**	**2**	**40,002**
Cash flow	**1,600**	**–**	**(2)**	**1,598**
Non cash – dividend declared	**–**	**–**	**2,185**	**2,185**
At 31 December 2018	**41,600**	**–**	**2,185**	**43,785**

28 COMMITMENTS

Operating lease commitments – Group as lessee

The Group leases office premises and warehouses under non-cancellable operating lease agreements. The lease terms range from 1 to 2 years, and the lease arrangements are renewable at the end of the lease period at market rate. The lease expenditure charged to the consolidated statement of comprehensive income is included in Note 8.

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	2018	2017
	RMB'000	RMB'000
No later than 1 year	**2,563**	1,869
Later than 1 year and no later than 5 years	**2,420**	1,866
	4,983	3,735

As at 31 December 2018, the Group did not have any significant capital commitments (2017: Nil).

29 RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the year ended 31 December 2018:

Name of the related party	Relationship with the Group
Miji Xuanshang	Associate of the Group

(b) Transactions with related party

Save as disclosed elsewhere in the consolidated financial statements, during the year ended 31 December 2018, the following transactions were carried out with related party at terms mutually agreed by both parties:

	2018 **RMB'000**	2017 RMB'000
Sales of goods to		
– Miji Xuanshang	**2,232**	2,209
Purchases of goods from		
– Miji Xuanshang	**8,769**	2,503

The pricing of these transactions was determined based on mutual negotiation between the Group and the related parties.

29 RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

(c) Key management compensation

Key management includes executive and non-executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**2,158**	2,768
Retirement benefit cost – defined contribution plans	**273**	430
	2,431	3,198

(d) Balances with related party

	2018 RMB'000	2017 RMB'000
Amount due to an associate		
Miji Xuanshang (note (i))	**336**	148

Note:

(i) As at 31 December 2018 and 2017, the balances were trading in nature, unsecured, interest free and denominated in RMB. These balances were with credit terms of 180 days and as at 31 December 2018 and 2017, the balances were not yet due.

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2018 RMB'000	2017 RMB'000
ASSETS		
Non-current asset		
Investment in a subsidiary	**73,113**	–
Current assets		
Amounts due from subsidiaries	**26,260**	–
Prepayments	**881**	3,214
Other receivables	**255**	–
Bank deposits	**35,048**	–
Cash and cash equivalents	**13,810**	72
	76,254	3,286
Total assets	**149,367**	3,286
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	**12,561**	–
Share premium (note)	**72,173**	–
Reserves (note)	**52,633**	(10,714)
Total equity	**137,367**	(10,714)
LIABILITIES		
Current liabilities		
Other payables	**1,051**	5,258
Amount due to a subsidiary	**10,949**	8,742
	12,000	14,000
Total liabilities	**12,000**	14,000
Total equity and liabilities	**149,367**	3,286

The statement of financial position of the Company was approved by the Boards of Directors on 18 March 2019 and were signed on its behalf.

Madam Maeck Can Yue **Mr. Walter Ludwig Michel**

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

Note:

Share premium and reserves movement of the Company

	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 16 May 2017 (Date of incorporation)	–	–	–	–
Loss for the year	–	–	(10,714)	(10,714)
At 31 December 2017	–	–	(10,714)	(10,714)
At 1 January 2018	**–**	**–**	**(10,714)**	**(10,714)**
Loss for the year	**–**	**–**	**(9,766)**	**(9,766)**
Issuance of shares pursuant to the Reorganisation (Note)	**–**	**73,113**	**–**	**73,113**
Capitalisation of shares	**(9,327)**	**–**	**–**	**(9,327)**
Issuance of shares under initial public offering	**93,750**	**–**	**–**	**93,750**
Share issuance costs	**(12,250)**	**–**	**–**	**(12,250)**
At 31 December 2018	**72,173**	**73,113**	**(20,480)**	**124,806**

Note:

The investment in a subsidiary was accounted for using the net asset value at the date of the Reorganisation. The difference between the net asset value and the nominal value of issued share capital for the acquisition amounted to approximately RMB73,113,000 was credited as other reserves.

31 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

For the year ended 31 December 2018:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors									
Madam Maeck	-	660	-	-	-	96	-	-	756
Mr. Michel	-	391	-	-	-	-	-	-	391
Independent non-executive directors									
Mr. Wang Shih-Fang	48	-	-	-	-	-	-	-	48
Mr. Yan Chi Ming	48	-	-	-	-	-	-	-	48
Mr. Hooi Hing Lee	48	-	-	-	-	-	-	-	48
Total	144	1,051	-	-	-	96	-	-	1,291

31 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2017:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors									
Madam Maeck	–	768	–	–	–	121	–	–	889
Mr. Michel	–	383	–	–	–	–	–	–	383
Independent non-executive directors									
Mr. Wang Shih-Fang	–	–	–	–	–	–	–	–	–
Mr. Yan Chi Ming	–	–	–	–	–	–	–	–	–
Mr. Hooi Hing Lee	–	–	–	–	–	–	–	–	–
Total	–	1,151	–	–	–	121	–	–	1,272

Mr. Wang Shih-Fang, Mr. Yan Chi Ming and Mr. Hooi Hing Lee were appointed as the Company's independent non-executive directors on 23 June 2018.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2017: same).

31 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2017: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2017: Nil).

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

During the year ended 31 December 2018, the Company did not pay consideration to any third parties for making available directors' services (2017: Nil).

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

Save as disclosed in Note 28, there are no loans, quasi-loans and other dealing in favour of directors, controlling bodies corporate by and connected entities with such directors during the year ended 31 December 2018 (2017: Nil).

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018 (2017: Nil).

32 NCI AND AMOUNT DUE TO A NCI

(a) Summarised financial information of a NCI

Set out below is summarised financial information for Miji Yongxing which has non-controlling interest that is material to the Group. The amounts disclosed are before inter-company eliminations.

Miji Yongxing

	2018 **RMB'000**	2017 RMB'000
Non-current assets	**287**	378
Current assets	**19,076**	23,044
Current liabilities	**(12,007)**	(13,938)
Current net assets	**7,069**	9,106
Net assets	**7,356**	9,484
Accumulated NCI (49%)	**3,745**	4,647
Revenue	**40,390**	37,437
Total comprehensive income	**2,619**	2,064
Profit allocated to NCI	**1,283**	1,012
Dividends payable/paid to NCI	**2,185**	1,448
Cash flows generated from operating activities	**1,966**	766
Cash flows generated from investing activities	**–**	3
Cash flows used in financing activities	**(2,275)**	(2,955)
Net decrease in cash and cash equivalents	**(309)**	(2,186)

As at 31 December 2018 and 2017, all the cash and bank balances of Miji Yongxing was held in the PRC. These cash and bank balances are subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

(b) Amount due to a NCI

The amount payable to a NCI are unsecured, interest-free and repayable on demand. The balance was denominated in RMB.