開易控股有限公司
KEE Holdings Company Limited

(Incorporated in Cayman Islands with limited liability)
Stock Code : 2011

KEE
JUST FOR YOU

Annual Report
2018

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Wu David Hang *(Chairman, Chief Executive Officer)*
Mr. Yau Chi Chiu (Appointed on 12 April 2018)
Ms. Feng Xiaoying (Resigned on 9 February 2018)

Independent Non-executive Directors

Mr. Leung Ka Tin
Mr. Lu Nim Joel
Mr. Yau Pak Yue

AUDIT COMMITTEE

Mr. Yau Pak Yue *(Committee Chairman)*
Mr. Leung Ka Tin
Mr. Lu Nim Joel

NOMINATION COMMITTEE

Mr. Wu David Hang *(Committee Chairman)*
Mr. Leung Ka Tin
Mr. Lu Nim Joel
Mr. Yau Pak Yue
Ms. Feng Xiaoying (Resigned on 9 February 2018)

REMUNERATION COMMITTEE

Mr. Yau Pak Yue (*Committee Chairman)*
Mr. Leung Ka Tin
Mr. Lu Nim Joel
Ms. Feng Xiaoying (Resigned on 9 February 2018)

COMPANY SECRETARY

Mr. Yau Chi Chiu (Appointed on 28 February 2018)
Mr. Chu Kin Ming (Resigned on 28 February 2018)

REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 510, Chater House
8 Connaught Road
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

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

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Bank of East Asia Limited
The Hong Kong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China
Agricultural Bank of China
China Construction Bank
Bank of China
Bank of Guangzhou
Industrial Bank Corporation Limited

COMPANY WEBSITE

www.kee.com.cn

Financial Summary

FIVE-YEAR FINANCIAL HIGHLIGHTS

For the year ended 31 December	**2018**	2017	2016 (Restated) (note 3)	2015	2014
Results of Continuing Operations					
Gross profit margin (%)	**32.4**	31.2	28.9	30.2	30.1
Operating profit margin (%)	**–14.6**	–4.5	27.2	4.5	4.0
Net profit margin (%) (note 1)	**–16.8**	–24.4	15.1	2.6	2.2
Return on equity (%)	**–12.5**	–14.4	7.3	1.4	1.2
Financial Position					
Total assets (HK$'000)	**330,454**	380,180	405,760	368,931	395,154
Cash and cash equivalents (HK$'000)	**78,587**	95,590	186,496	85,894	37,975
Total bank borrowing (HK$'000)	**–**	–	–	15,000	17,000
Total equity attributable to equity shareholders of the Company (HK$'000)	**264,730**	314,083	298,523	290,857	307,804
Financial Ratios					
Current ratio (times)	**6.0**	5.0	4.0	2.4	2.2
Quick ratio (times)	**5.4**	4.5	3.7	2.2	2.0
Debt to asset ratio (%) (note 2)	**12.9**	11.4	21.6	15.2	15.9
Turnover Ratios					
Inventory turnover (days)	**66**	62	58	64	63
Debtors turnover (days)	**74**	77	78	78	82

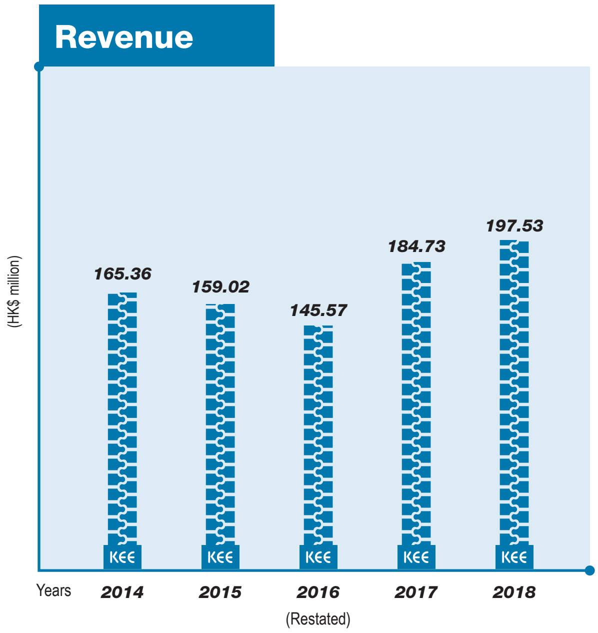
Notes:

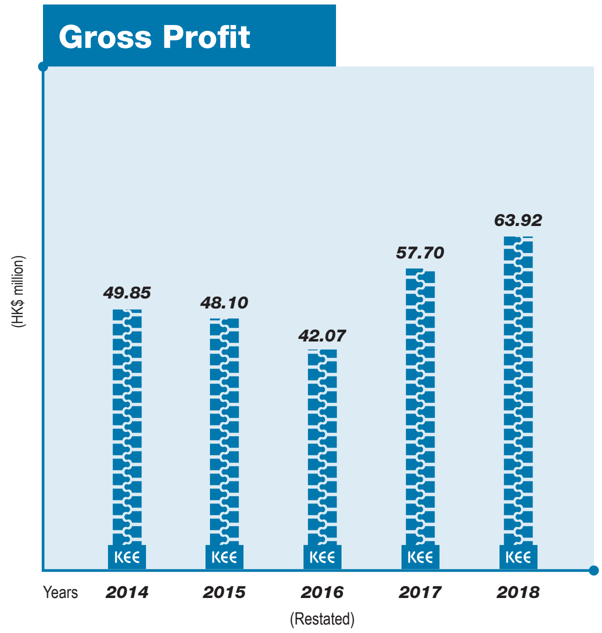
(1) Net profit represents loss or profit attributable to equity shareholders of the Company.

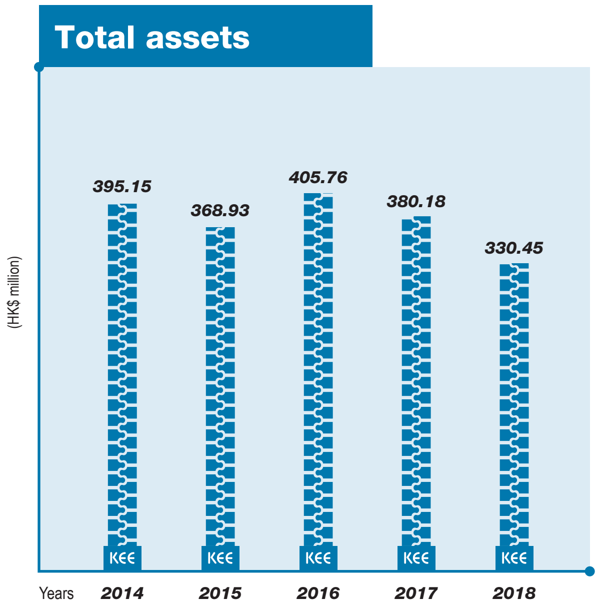
(2) Debt to asset ratio is calculated as the Group's total liabilities over total assets as shown in the consolidated statement of financial position.

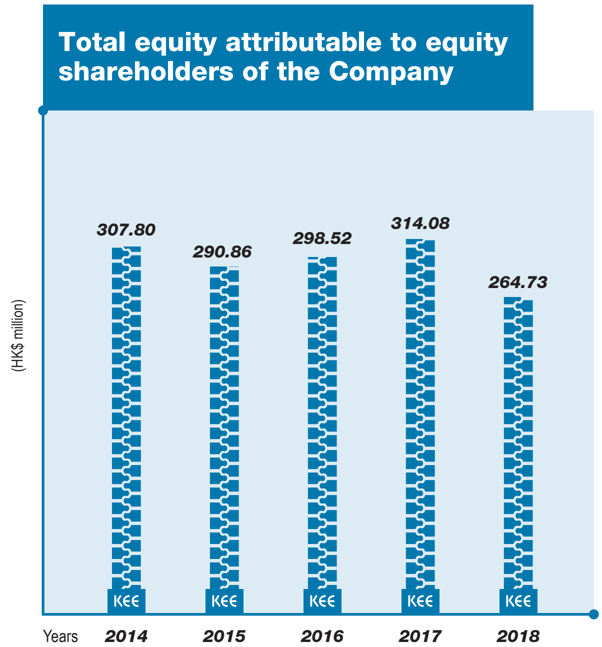
(3) During the year 2017, the Group has decided to cease the real estate agency services and completed the disposal of this business on 24 August 2017. The financial information of this operating segment for year ended 31 December 2017 is presented as discontinued operation as set out in note 11 to the consolidated financial statements. The comparative amounts of the financial information of this operating segment in respect of the year ended 31 December 2016 were also restated to be presented as discontinued operation accordingly.

Financial Summary









Financial Summary

The following is a summary of the consolidated statement of profit or loss and consolidated statement of financial position of the Group:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	**2018 HK$'000**	2017 HK$'000	2016 HK$'000 (Restated) (note 1)	2015 HK$'000	2014 HK$'000
Continuing operations					
Revenue	**197,532**	184,732	145,568	159,016	165,359
Cost of sales	**(133,613)**	(127,028)	(103,497)	(110,919)	(115,510)
Gross Profit	**63,919**	57,704	42,071	48,097	49,849
Other gains/(losses), net	**18,770**	(10,592)	7,339	5,056	2,332
Distribution costs	**(15,417)**	(15,197)	(10,989)	(12,230)	(15,936)
Administrative expenses	**(50,639)**	(40,425)	(34,318)	(33,746)	(29,692)
(Impairment losses)/reversal of impairment losses on					
— trade receivables and bills receivable	**(505)**	177	–	–	–
— other receivable	**(45,000)**	–	–	–	–
Gain on disposal of a subsidiary	**–**	–	17,837	–	–
Gain on disposal of property, plant and equipment and leasehold land to related parties	**–**	–	17,609	–	–
(Loss)/profit from operations	**(28,872)**	(8,333)	39,549	7,177	6,553
Finance costs	**–**	–	(9)	(420)	(417)
(Loss)/profit before taxation	**(28,872)**	(8,333)	39,540	6,757	6,136
Income tax	**(1,074)**	(5,429)	(8,415)	(3,517)	(2,742)
(Loss)/profit from continuing operations	**(29,946)**	(13,762)	31,125	3,240	3,394
Loss from discontinued operation	**–**	(31,808)	(7,888)	–	–
(Loss)/profit for the year	**(29,946)**	(45,570)	23,237	3,240	3,394
Attributable to:					
Equity shareholders of the Company	**(33,177)**	(45,127)	21,940	4,161	3,661
Non-controlling interests	**3,231**	(443)	1,297	(921)	(267)

Note:

(1) During the year 2017, the Group has decided to cease the real estate agency services and completed the disposal of this business on 24 August 2017. The financial information of this operating segment for year ended 31 December 2017 is presented as discontinued operation as set out in note 11 to the consolidated financial statements. The comparative amounts of the financial information of this operating segment in respect of the year ended 31 December 2016 were also restated to be presented as discontinued operation accordingly.

Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Non-current assets	**83,397**	168,051	63,448	234,142	254,944
Property, plant and equipment	**71,873**	57,805	57,323	195,813	211,874
Interest in leasehold land held for own use under operating leases	**–**	–	–	30,453	33,052
Intangible assets	**1,562**	2,448	3,047	6,161	7,666
Available-for-sale investment	**–**	103,480	–	–	–
Prepayments for fixed and intangible assets	**1,439**	292	93	280	391
Rental deposit	**5,041**	987	–	–	–
Deferred tax assets	**3,482**	3,039	2,985	1,435	1,961
Current assets	**247,057**	212,129	342,312	134,789	140,210
Inventories	**24,549**	23,924	19,417	15,874	18,369
Financial asset at fair value through profit or loss	**102,183**	–	–	–	–
Trade and other receivables	**40,922**	92,615	135,759	32,014	41,535
Current tax recoverable	**816**	–	38	1,007	1,173
Cash and cash equivalents	**78,587**	95,590	186,496	85,894	37,975
Assets held for sale	**–**	–	602	–	–
Deposits with banks	**–**	–	–	–	41,158
Total assets	**330,454**	380,180	405,760	368,931	395,154

Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	**2018 HK$'000**	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Current liabilities	**41,396**	42,153	86,347	55,222	62,323
Trade and other payables	**41,396**	40,366	84,955	39,937	45,290
Bank borrowing	**–**	–	–	15,000	17,000
Current tax payable	**–**	1,787	1,392	285	33
Net current assets	**205,661**	169,976	255,965	79,567	77,887
Total assets less current liabilities	**289,058**	338,027	319,413	313,709	332,831
Non-current liabilities	**1,124**	1,124	1,124	682	543
Deferred tax liabilities	**1,124**	1,124	1,124	682	543
Net assets	**287,934**	336,903	318,289	313,027	332,288
Capital and reserves	**264,730**	314,083	298,523	290,857	307,804
Share capital	**4,648**	4,648	4,348	4,268	4,150
Reserves	**260,082**	309,435	294,175	286,589	303,654
Total equity attributable to equity shareholders of the Company	**264,730**	314,083	298,523	290,857	307,804
Non-controlling interests	**23,204**	22,820	19,766	22,170	24,484
Total equity	**287,934**	336,903	318,289	313,027	332,288

Chairman's Statement

On behalf of the board of directors (the "Board") of KEE Holdings Company Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2018.

The manufacturing industry continued to face significant challenges in 2018. The continuing China-USA trade dispute added pressure and casted uncertainty to the already difficult environment in China.

The Group makes every affords to further build up its customer base of its zipper business. With regards to the strengthened marketing and product innovation team, and aligning with our strategy plan, the Group achieved a steady increase in revenue from manufacturing and sales of zipper and the related products in 2018. Revenue of approximately HK$197.53 million attributable to zipper business for the year ended 31 December 2018 was attained.

We took measures to tighten cost control and achieved a generally stable business performance in zipper business through the dedicated efforts of our management team and employees.

Moving forward, the Group will continue to seek attractive investment and acquisition opportunities in the other sectors, so as to enhance profitability and maximize our shareholders' value. We keep an open mind when exploring new opportunities, but will only acquire high potential projects on a selective and prudent basis, without compromising the financial stability of the Group.

We remain excited about the prospect and the opportunities that lie ahead and are confident that the Group is well positioned to meet futures challenges and move closer to its vision to be a profitable and well diversified company.

I would like to take this opportunity to express my sincere thanks and gratitude to our Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, customers, suppliers, bankers and other professional parties for their continuous support.

Wu David Hang
Chairman

Hong Kong, 28 March 2019

Management Discussion and Analysis

OVERVIEW

The Group continued to operate the zipper business during the year ended 31 December 2018 and it was presented as continuing operations in the consolidated financial statements. The Group had disposed its real estate agency service business during the year ended 31 December 2017 and the results of which were presented as discontinued operation in the consolidated financial statements.

The customers in zippers business are primarily OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well-known international apparel labels. The Group maintains a close working relationship with apparel brand owners on the design of zippers to be applied on the apparel products. The apparel brand owners usually decide on the supplier for their OEMs and place orders with such OEMs who in turn source zippers and other garment accessories from the Group.

The discontinued operation of the Group related to the services rendered in real estate agency service business during the year ended 31 December 2017 which included the related sales planning, organization, promotion and sales activities of the property projects in the People's Republic of China (the "PRC") for the property developers.

FINANCIAL HIGHLIGHTS

The Group's revenue for the year ended 31 December 2018, which represented the revenue from zipper business, increased to approximately HK$197.53 million as compared with approximately HK$184.73 million for the year ended 31 December 2017.

Loss for the year ended 31 December 2018 was approximately HK$29.95 million, which was mainly the combined effect of approximately HK$12.30 million of profit from the zipper business, including approximately HK$8.99 million of net foreign exchange gains and approximately HK$45.00 million of impairment loss on other receivable. In comparison, the loss for the year ended 31 December 2017 was mainly attributable to approximately HK$31.81 million of loss from the discontinued operation and approximately HK$11.37 million of net foreign exchange losses.

REVIEW OF OPERATIONS

Revenue

The Group's revenue for the year ended 31 December 2018 amounted to approximately HK$197.53 million, representing a year-on-year increase of 6.9% as compared to the last year, mainly relating to the increase in sales of finished zippers.

Revenue analysis by product category:

	Year ended 31 December			
	2018		2017	
	HK$ million	**%**	HK$ million	%
Sales of goods				
Finished zippers and sliders	**192.97**	**97.7**	180.09	97.5
Others	**4.56**	**2.3**	4.64	2.5
Total	**197.53**	**100.0**	184.73	100.0

Management Discussion and Analysis

Revenue analysis by geographic location:

	Year ended 31 December			
	2018		2017	
	HK$ million	**%**	HK$ million	%
Mainland China	**181.70**	**92.0**	160.54	86.9
Overseas	**15.83**	**8.0**	24.19	13.1
Total revenue	**197.53**	**100.0**	184.73	100.0

Finished Zippers and Sliders

Revenue from sales of finished zippers and sliders slightly increased by approximately HK$12.88 million or 7.2% to approximately HK$192.97 million for the year ended 31 December 2018 (2017: approximately HK$180.09 million). The increase was primarily due to the promotion of organisational energy of the Group, the strengthened marketing and product innovation, the escalation of responsiveness to customer needs and the enhancement of customer service level.

The Group achieved rewarding results in the new marketing development. During the year 2018, the Group commenced cooperation with 10 new brands, among of which 4 brands were domestic brands and 6 brands were overseas brands.

The Group's revenue was mainly derived from sales in Mainland China. Other countries or regions to which the Group sold its products for the year ended 31 December 2018 include Hong Kong, Switzerland, Italy, USA, India, Indonesia, Bangladesh, Germany, Korea, Belgium, Vietnam, South Africa and Tunisia.

Others

Others represent items such as scrap material, zipper components and moulds. Revenue of other items slightly decreased by approximately HK$0.08 million to approximately HK$4.56 million for the year ended 31 December 2018 (2017: approximately HK$4.64 million).

Cost of Sales and Gross Profit

In 2018, the overall cost of sales for the zipper business amounted to approximately HK$133.61 million (2017: approximately HK$127.03 million), representing an increase of approximately 5.2%. The overall gross profit of the Group increased by approximately 10.8% from approximately HK$57.70 million for the year ended 31 December 2017 to approximately HK$63.92 million for the year ended 31 December 2018. In 2018, the overall gross profit margin increased from 31.2% of last year to 32.4%, which was mainly attributable to reduction of subcontracting fees paid to subcontractors after engaging a subsidiary, KEE (Guangdong) Garment Accessories Limited (Jingmen Branch) ("KEE (Guandong) Jingmen Branch"), to perform certain electroplating works for the Group's zipper and garment accessories products as well as the cost control implemented by the Group.

Gross profit analysis by product category:

	Year ended 31 December			
	2018		2017	
	HK$ million	**%**	HK$ million	%
Sales of goods				
Finished zippers and sliders	**62.22**	**97.3**	55.93	96.9
Others	**1.70**	**2.7**	1.77	3.1
Total gross profit	**63.92**	**100.0**	57.70	100.0

Finished Zippers and Sliders

Gross profit for finished zippers and sliders increased by approximately 11.2% from approximately HK$55.93 million for the year ended 31 December 2017 to approximately HK$62.22 million for the year ended 31 December 2018, which was attributable to the increase in sale volume of finished zippers and the reduction in subcontracting cost after engaging KEE (Guangdong) Jingmen Branch to perform certain electroplating work.

Others

Gross profit of other items decreased slightly by approximately HK$0.07 million from approximately HK$1.77 million for the year ended 31 December 2017 to approximately HK$1.70 million for the year ended 31 December 2018, was mainly due to the decrease in sale volume of other items.

DISTRIBUTION COSTS

Distribution costs mainly represent (i) staff costs relating to sales and marketing personnel; (ii) transportation costs for delivery of the Group's products to customers and (iii) advertising and marketing expenses. For the year ended 31 December 2018, the Group's distribution costs amounted to approximately HK$15.42 million (2017: approximately HK$15.20 million), accounting for approximately 7.8% of the Group's turnover (2017: approximately 8.2%).

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consist of (i) salary and welfare expenses for management and administrative personnel; (ii) professional fees and auditors' remuneration; and (iii) other administrative expenses including depreciation and amortisation. In 2018, the Group's administrative expenses amounted to approximately HK$50.64 million (2017: approximately HK$40.43 million), which accounted for approximately 25.6% of the Group's turnover (2017: approximately 21.9%). The increase was mainly due to the increase in directors' remuneration of the Company and staff cost of the newly established KEE (Guangdong) Jingmen Branch.

INCOME TAX

Income tax mainly represents the tax expenses incurred in relation to the operations of the Group in the PRC.

LOSS FROM DISCONTINUED OPERATION

Given the disposal of the equity interest of Neo Ocean Ventures Limited, a wholly owned subsidiary of the Group and the parent company of all subsidiaries (the "Neo Ocean Group") which engages in real estate agency service business on 24 August 2017, the real estate agency service business was re-classified as discontinued operation for the years ended 31 December 2017.

The loss from discontinued operation represented the loss after income tax of the real estate agency service business which was ceased upon the disposal of the equity interest of Neo Ocean Group in August 2017, and the gain on disposal of Neo Ocean Group of HK$0.52 million.

PROFITABILITY

In 2018, the Group's loss attributable to equity shareholders of the Company amounted to approximately HK$33.18 million (2017: approximately HK$45.13 million), representing a decrease of loss of 26.5% as compared to 2017. The improvement was primarily due to the disposal of significant loss-making real estate agency business in 2017. The margin of loss attributable to the equity shareholders of the Company for the year was 16.8% (2017: 24.4%), a decrease of 31.1 percentage points as compared to 2017.

During the year ended 31 December 2018, the Group's return on equity attributable to the equity shareholders of the Company was —12.5% (2017: –14.4%), representing a decrease of 13.2 percentage points as compared to 2017.

FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group has invested HK$100 million into Fullgoal Strategic Growth Fund Segregated Portfolio (the "Fund") during the year ended 31 December 2017, which was reclassified from available-for-sale investment to financial asset at fair value through profit or loss during the year ended 31 December 2018. The carrying value of the Fund was approximately HK$102.18 million as at 31 December 2018 (as at 31 December 2017: approximately HK$103.48 million), the difference is attributable to the fair value losses recognised in profit or loss. Dividend income of HK$9.3 million was received and recorded during the year ended 31 December 2018.

INVENTORIES

Inventories are one of the principal components of the Group's current assets of zipper business. The carrying value of inventories accounted for approximately 11.3% and 9.9% of the Group's total current assets as at 31 December 2017 and 2018 respectively.

Inventories slightly increased by approximately 2.6% from approximately HK$23.92 million as at 31 December 2017 to approximately HK$24.55 million as at 31 December 2018.

The average inventory turnover days for 2018 and 2017 were 66 days and 62 days respectively.

The net reversal of write-down on inventories for the year ended 31 December 2018 was approximately HK$0.25 million (2017: net write-down of approximately HK$1.34 million) which was due to the decrease in the estimated net realisable value of certain slow-moving inventories.

TRADE DEBTORS

As at 31 December 2018, the allowance for doubtful debts was approximately HK$1.53 million (31 December 2017: approximately HK$1.11 million), accounting for approximately 3.8% of the Group's total trade debtors (2017: approximately 2.7%).

The Group's trade debtors (net) decreased by around 4.3% from approximately HK$41.36 million of last year to approximately HK$39.58 million as at 31 December 2018.

The average trade debtors turnover days for 2018 and 2017 were 74 days and 77 days respectively.

OTHER RECEIVABLES AND IMPAIRMENT LOSS

Other receivables mainly represent (i) sale consideration receivable arising from the disposal of the Company's subsidiary; and (ii) other prepayments for purchasing raw materials. The significant decrease in balance of other receivables by approximately HK$49.91 million, representing a decrease in 97.4% from approximately HK$51.26 million was mainly due to impairment loss recognised on the sale consideration of HK$50 million receivable from the purchaser arising from disposal of the Neo Ocean Group as at 31 December 2017 as detailed below.

As at 31 December 2018, included in the other receivables is the balance of HK$45 million (2017: HK$50 million) representing the remaining sale consideration receivable from the purchaser arising from disposal of Neo Ocean Group. Pursuant to the sale and purchase agreement, the balance is repayable within one year from the completion date of disposal of 24 August 2017. The purchaser's payment obligation for the remaining sale consideration under the sale and purchase agreement is secured by (i) the assignment of the shareholder's loan owed by Neo Ocean Ventures Limited ("Neo Ocean") to the Company on completion and all obligations, liabilities and debts owed or incurred by Neo Ocean to the Company on completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on completion (which was assigned to the purchaser on completion) by way of security executed by the purchaser in favour of the Company (the "Sale Loan"); and (ii) the charge over the entire issued share capital of Neo Ocean (the "Sale Share") executed by the purchaser in favour of the Company. The Board considered that the security created over the Sale Share and the Sale Loan which was worth approximately HK$100 million at that time was sufficient to secure the payment of the balance of the sale consideration (i.e. HK$50 million) which was only half of the amount of the value of the security on completion.

Before entering into the sale and purchase agreement, the Company had reviewed the audited accounts for the year ended 31 December 2016 of a wholly-owned subsidiary of the purchaser and the valuation report issued by an independent valuer regarding the valuation of certain properties owned by that subsidiary in the PRC as part of the credit assessment on the purchaser's ability for the settlement of the consideration.

After, the purchaser failed to settle the balance on the due date, the Company's directors have negotiated on the settlement with the purchaser. The purchaser thereafter paid part of the balance of the sale consideration in the amount of HK$5 million to the Company in December 2018. Following the HK$5 million payment, the purchaser has revealed to the Company's directors that the purchaser and its subsidiaries are in financial difficulty and therefore it is unable to settle the remaining balance of the sale consideration of HK$45 million. In order to recover the remaining balance of the sale consideration, the Company has instructed its lawyers to issue two demand letters in January and March 2019 to the purchaser to demand for payment of the remaining balance. In addition, the Company has conducted legal searches on the purchaser and other searches to obtain publicly available information on the internet to investigate into the conditions of the purchaser and its subsidiaries including Neo Ocean. However, no payment of the remaining balance has been made by the purchaser as at the reporting date.

After performing impairment assessment on this receivable, an impairment loss of HK$45 million was recorded in the profit or loss for the year ended 31 December 2018.

As the purchaser failed to comply with the ultimatum under the second demand letter, the Company is currently seeking suitable candidates to be the receivers in order to enforce the security created over the Sale Loan and the Sale Share. The Company will also further investigate the financial conditions of the purchaser and its subsidiaries and if the investigation reveals that the purchaser has sufficient assets, the Company may commence legal proceedings against the purchaser.

TRADE CREDITORS

The Group's trade creditors primarily relate to purchases of raw materials from suppliers with credit terms of 7 to 60 days for trade creditors.

The Group's trade creditors decreased by around 31.8% from approximately HK$11.21 million as at 31 December 2017 to approximately HK$7.64 million as at 31 December 2018. The average trade creditors turnover days for 2018 and 2017 were 26 days and 33 days respectively.

Management Discussion and Analysis

OTHER PAYABLES

Other payables mainly represent (i) payroll and staff benefits payable; (ii) payables for purchase of property, plant and equipment; and (iii) accrued expenses. The balance of other payables increased by approximately 15.8% to approximately HK$33.76 million as at 31 December 2018 (2017: approximately HK$29.16 million) was mainly due to the purchases of property, plant and equipment resulting from the establishment of KEE (Guangdong) Jingmen Branch.

LIQUIDITY AND CAPITAL RESOURCES

The following table is a summary of cash flow data for the two years ended 31 December 2017 and 2018:

	Year ended 31 December	
	2018	2017
	HK$ million	HK$ million
Net cash generated from operating activities	**6.25**	17.99
Net cash used in investing activities	**(17.08)**	(152.05)
Net cash generated from financing activities	**–**	29.19
Net decrease in cash and cash equivalents	**(10.83)**	(104.87)
Cash and cash equivalents at 1 January	**95.59**	186.50
Effect of foreign exchange rate changes	**(6.17)**	13.96
Cash and cash equivalents at 31 December	**78.59**	95.59

The Group's net cash inflow from operating activities for the year 2018 amounted to approximately HK$6.25 million (2017: approximately HK$17.99 million). As at 31 December 2018, cash and cash equivalents amounted to approximately HK$78.59 million, representing a net decrease of approximately HK$17.00 million as compared with the position as at 31 December 2017, which was mainly due to the combined effect of the cash flows for the year ended 31 December 2018 as shown in the above table.

As at 31 December 2018, the cash and cash equivalents of approximately HK$53.58 million, HK$15.02 million and HK$9.83 million are mainly denominated in RMB, HKD and USD, respectively. As at 31 December 2017, the cash and cash equivalents of approximately HK$76.52 million, HK$12.75 million and HK$6.19 million are mainly denominated in RMB, HKD and USD,respectively.

The Group did not have any bank loan as at 31 December 2017 and 2018.

As at 31 December 2018, the Group had no bank facilities. The debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2018 was 12.9% (2017: 11.4%). The debt to asset ratio is considered to be healthy and suitable for the continuous development of the Group's business.

NET CURRENT ASSETS

As at 31 December 2018, the Group had net current assets of approximately HK$205.66 million. The key components of current assets as at 31 December 2018 included financial asset at fair value through profit or loss of approximately HK$102.18 million, cash and cash equivalents of approximately HK$78.59 million, trade and other receivables of approximately HK$40.92 million, and inventories of approximately HK$24.55 million. The current liabilities represented trade and other payables of approximately HK$41.40 million.

The net current assets increased from approximately HK$169.98 million as at 31 December 2017 to approximately HK$205.66 million as at 31 December 2018, mainly attributable to net effect the reclassification of the Fund as current asset as at 31 December 2018 and recognition of impairment loss of HK$45 million on other receivable.

PLEDGE OF ASSETS

The Group did not have any assets pledged for general facilities granted by banks.

CAPITAL COMMITMENTS

The capital commitments in respect of property, plant and equipment as at 31 December 2017 and 2018 not provided for in the financial statements were approximately HK$0.15 million and approximately HK$3.85 million respectively.

FOREIGN CURRENCY RISK

The Group is exposed to currency risk primarily through sales and bank deposits which give rise to receivables and cash balances that are denominated in United States Dollars ("USD") under KEE Zippers Corporation Limited ("KEE Zippers") and KEE (Guangdong) Garment Accessories Limited ("KEE Guangdong").

As HKD is pegged to USD, the Group considers the risk of movements in exchange rates between USD and HKD to be insignificant.

The Group had RMB denominated bank deposits amounting to approximately HK$48,000 (2017: approximately HK$18,166,000) that was held by KEE Zippers and the Company for which HK$ is their functional currency. In addition, the Group had HK$ denominated inter-company other receivables amounting to approximately HK$151,379,000 (2017: approximately HK$171,204,000) that were held by KEE Guangdong and KEE (Zhejiang) Garment Accessories Limited ("KEE Zhejiang") for which RMB is their functional currency.

At 31 December 2018, it is estimated that a general appreciation/depreciation of 0.5% in HK$ against RMB, with all other variables held constant, would have decreased/increased the Group's net loss for the year and increase/decrease retained earnings by approximately HK$757,000 (2017: approximately HK$765,000).

The sensitivity analysis assumes that the change in foreign exchange rate had been applied to re-measure the bank deposits and the inter-company other receivables which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The Group currently has no hedging arrangement for foreign currencies. The management will continue to monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Management Discussion and Analysis

EMPLOYEES

As at 31 December 2018, the Group had 622 full-time employees (31 December 2017: 578). The Group reviews the remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any amount of money to provide for retirement or similar benefits for its employees. The staff costs incurred in the year 2018 were approximately HK$77.91 million (2017: approximately HK$59.17 million). The increase in staff cost is mainly due to the increase in directors' remuneration of the Company and staff cost of the newly established KEE (Guangdong) Jingmen Branch.

CONTINGENT LIABILITIES

The Group had no other contingent liabilities as at 31 December 2017 and 2018.

CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transaction in Relation to the Operating Lease in Respect of Certain Plant and Buildings

(i) On 16 January 2017, Classic Winner Limited ("Classic Winner"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zippers, an indirect subsidiary of the Company, as lessee entered into a lease renewal agreement (the "HK Lease Renewal Agreement") pursuant to which Classic Winner has agreed to lease to KEE Zippers a property in Hong Kong at a monthly rental of HK$51,000 payable on the 16th of each month for a term of three years commencing on 16 January 2017 to 15 January 2020. On 17 February 2016, Mr. Xu Xipeng and Mr. Xu Xinan resigned as the chairman of the board and chief executive officer of the Company respectively. Mr. Xu Xipeng and Mr. Xu Xinan also resigned as executive directors of the Company, but have remained as the directors of KEE International (BVI) Limited and KEE Zippers, the subsidiaries of the Company, since 17 February 2016. Therefore, Mr. Xu Xipeng and Mr. Xu Xinan are connected persons at the subsidiary level of the Company. As Classic Winner is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, Classic Winner is also a connected person at the subsidiary level of the Company as of the date of HK Lease Renewal Agreement. An independent property valuer advised that the monthly rental of HK$51,000 is fair and reasonable with reference to the market rate. For each of the two years ended 15 January 2019 and the year ending 15 January 2020, the maximum annual aggregate amounts payable by the Group under the HK Lease Renewal Agreement are as follows:

	HK$
Year ended 15 January 2018	612,000
Year ended 15 January 2019	612,000
Year ending 15 January 2020	612,000

(ii) On 16 January 2017, Nanhai Jinheming Investment Company Limited ("Nanhai Jinheming"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zhejiang, an indirect subsidiary of the Company, as lessee entered into a lease renewal agreement (the "Zhejiang Lease Renewal Agreement") pursuant to which Nanhai Jinheming has agreed to lease to KEE Zhejiang the production base in Zhejiang Province at a monthly rental of RMB275,000 payable within the first 10 working days before the 16th day of each month for an initial term of three years commencing on 16 January 2017 to 15 January 2020, with three months' rent of RMB825,000 as deposit. As Nanhai Jinheming is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, Nanhai Jinheming is a connected person at the subsidiary level of the Company as of the date of the Zhejiang Lease Renewal Agreement. An independent property valuer advised that the monthly rental of RMB275,000 is fair and reasonable with reference to the market rate. For each of the two years ended 15 January 2019 and the year ending 15 January 2020, the maximum annual aggregate amounts payable by the Group under the Zhejiang Lease Renewal Agreement are as follows:

	RMB	HK$
Year ended 15 January 2018	4,125,000	4,620,000
Year ended 15 January 2019	4,125,000	4,620,000
Year ending 15 January 2020	4,125,000	4,620,000

(iii) On 24 August 2018, KEE (Jingmen) Clothing Accessories Limited ("KEE Jingmen"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Guangdong, an indirect 85%-owned subsidiary of the Company, as lessee entered into a tenancy agreement (the "Jingmen Tenancy Agreement") pursuant to which KEE Jingmen has agreed to lease to KEE Guangdong a property in PRC at a monthly rental of RMB400,000 payable before the fifth day of each month commencing from 1 September 2018 to 31 August 2021, with three months' rent of RMB1,200,000 as deposit. As KEE Jingmen is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, KEE Jingmen is a connected person at the subsidiary level of the Company as of the date of the Jingmen Tenancy Agreement. An independent property valuer advised that the monthly rental of RMB400,000 is fair and reasonable with reference to the market rate. For each of the three years ending 31 August 2021, the maximum annual aggregate amounts payable by the Group under the Jingmen Tenancy Agreement are as follows:

	RMB	HK$
Year ending 31 August 2019	6,000,000	6,840,000
Year ending 31 August 2020	6,000,000	6,840,000
Year ending 31 August 2021	6,000,000	6,840,000

(iv) On 28 December 2015, Mr. Xu Xipeng and Mr. Xu Xinan, connected persons at the subsidiary level of the Company, as lessors and KEE Guangdong as lessee, entered into the lease renewal agreement (the "Guangdong Lease Renewal Agreement") to renew the lease of the Guangdong Plant for a further term of three years from 1 January 2016 to 31 December 2018 for a monthly rental of RMB310,000.

An independent valuer advised that the monthly rental of RMB310,000 is fair and reasonable with reference to the market rate. For each of three years ending 31 December 2018, the annual rental paid and payable by the Group under the Guangdong Lease Renewal Agreement is RMB3,720,000.

On 31 December 2018, Mr. Xu Xipeng and Mr. Xu Xinan, connected persons at the subsidiary level of the Company, as lessors and KEE Guangdong as lessee, entered into the lease renewal agreement (the "Guangdong Lease Renewal Agreement 2019") to renew the lease of a plant in Guangdong for a further term of two years from 1 January 2019 to 31 December 2020 for a monthly rental of RMB360,000 payable within the first 10 working days of each month commencing from 1 January 2019.

An independent valuer advised that the monthly rental of RMB360,000 is fair and reasonable with reference to the market rate. For each of two years ending 31 December 2020, the maximum annual aggregate amounts payable by the Group under the Guangdong Lease Renewal Agreement 2019 are as follows:

	RMB	HK$
Year ending 31 December 2019	4,320,000	4,924,800
Year ending 31 December 2020	4,320,000	4,924,800

For the year ended 31 December 2018, the total rental charges under the HK Lease Renewal Agreement, the Zhejiang Lease Renewal Agreement, the Jingmen Tenancy Agreement and the Guangdong Lease Renewal Agreement was approximately HK$10,837,000.

PROSPECT

Since 2018, the global economic governance system has commenced restructuring with aggravating economic and trade frictions between major economies. In order to ensure the smooth operation of the economy, China introduced a new round of steady growth policy in 2019 on the basis of various policies such as promoting investment to fill shortcomings, optimising the business environment and promoting openness towards foreign investment. It is expected that China's economy will continue to grow steadily in 2019, and its economic growth will remain within a reasonable range.

In the recent years, demand in textile and apparel industry of China experienced slow growth with weak rebound, while retail market continued to be stable and improved. Industry demand is expected to continue to grow at a low rate in 2019. However, due to the increasing maturity and individualisation of customers as well as the flat spread of information, the textile and garment industry of China has been constantly enhancing its brand and quality awareness, and gradually returning from the commodity era to the product era. This is a valuable opportunity for development of high-quality finished zipper market.

As such, the Company will actively implement the following measures:

Further enhancing image and added value to the brand, extending the market development and the investment in product innovation, accelerating the responses to the demands from both customer and market, enhancing customer satisfaction;

Further integrating and expanding production capacity, improving the level of production automation, enhancing production process, improving product quality and shortening the delivery time;

Strengthening human resource management, improving organisational vitality and competitiveness, enhancing operational efficiency is indispensable.

We will concurrently review the business strategic directions and operations of the Group in order to chart its long term corporate strategy and growth and to explore other business or investment opportunities with a view to enhance the Group's future development.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieve high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

Good corporate governance is conducive to enhancing the Group's overall performance and accountability is essential in modern corporate administration. The Board, which includes three independent non-executive Directors out of a total of five Directors, is responsible for setting strategic, management and financial objectives, continuously observing the principles of good corporate governance and devoting considerable effort to identifying and formalising best practices to ensure that the interests of Shareholders, including those of minority Shareholders, are protected.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code.

During the year ended 31 December 2018, the Company has complied with all the code provisions as set out in the Corporate Governance Code except the following deviations.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2018.

BOARD OF DIRECTORS

The Board currently comprises five members, consisting of two executive Directors and three independent non-executive Directors.

The biographical information of the Directors and the relationships between the members of the Board are set out in the section headed "Biographies of Directors and Senior Management" on pages 43 to 44 of the annual report for the year ended 31 December 2018.

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without the presence of other executive Directors during the year.

The attendance record of each Director at the Board meetings and general meeting(s) of the Company held during the year ended 31 December 2018 is set out below:

The Board	**Board Meetings** *Attendance*	**Annual General Meeting** *Attendance*
Executive Directors		
Mr. Wu David Hang (Chairman)	4/4	1/1
Mr. Yau Chi Chiu (Appointed on 12 April 2018)	2/2	1/1
Ms. Feng Xiaoying (Resigned on 9 February 2018)	0/0	0/0
Independent Non-executive Directors		
Mr. Leung Ka Tin	4/4	1/1
Mr. Yau Pak Yue	4/4	1/1
Mr. Lu Nim Joel	4/4	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at 31 December 2018, the positions of Chairman and Chief Executive Officer were held by Mr. Wu David Hang. The Chairman provides leadership and is responsible for chairing the meetings, managing the operations of the Board, and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is also responsible for running the Company's businesses and implementing the Group's strategic plans and business goals. This constitutes a deviation from the Code Provision A.2.1 but the Board considers that this structure where the leadership of the Board is distinct from the executive responsibilities for running the business operations will not impair the balance of power and authority between the board and the management of the business, especially given that there is a strong and independent non-executive element on the Board and a clear division of responsibilities for running the business of the Company. The arrangement under which the roles of chairman and chief executive officer are performed under the same individual is considered as beneficial at the present stage as it helps to maintain the continuity of the Company's policies and the stability of the Company's operation as well as to enhance the management of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors and independent non-executive Directors has entered into a service contract or letter of appointment with the Company for a specific term. Such term is subject to his reappointment by the Company at an annual general meeting upon such Director's retirement by rotation at least once every three years and offering himself for re-election. Pursuant to the Company's Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the following general meeting of the Company and shall then be eligible for re-election and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election. Also, pursuant to the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of responsibilities as a Director and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be issued to Directors where appropriate.

Corporate Governance Report

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company on continuous professional development during the year ended 31 December 2018.

Name of Directors	Reading Materials	Attending Seminars
Executive Directors		
Mr. Wu David Hang (Chairman)	✓	✓
Mr. Yau Chi Chiu (Appointed on 12 April 2018)	✓	✓
Ms. Feng Xiaoying (Resigned on 9 February 2018)	✓	✓
Independent Non-executive Directors		
Mr. Leung Ka Tin	✓	✓
Mr. Yau Pak Yue	✓	✓
Mr. Lu Nim Joel	✓	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The revised terms of reference of Audit Committee and Nomination Committee were adopted in 31 December 2018. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

AUDIT COMMITTEE

An audit committee has been established with written terms of reference in compliance with the Corporate Governance Code. The main duties of the audit committee are to assist the Board in reviewing the financial information and reporting system, internal control system and risk management, the effectiveness of the Company's internal audit function and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The audit committee consists of three independent non-executive Directors, namely Mr. Leung Ka Tin, Mr. Yau Pak Yue and Mr. Lu Nim Joel. Mr. Yau Pak Yue, an independent non-executive Director of the Company, is the chairman of the audit committee. For the year ended 31 December 2018, the audit committee has held three meetings to discuss the auditing, internal controls and financial reporting matters of the Company. The audit committee of the Company has met with the management and external auditors of the Company and has reviewed the consolidated results of the Group for the year ended 31 December 2018.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, the effectiveness of the Company's internal audit function and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Leung Ka Tin, Mr. Yau Pak Yue and Mr. Lu Nim Joel. Mr. Yau Pak Yue, an independent non-executive Director, is the chairman of the Audit Committee.

The Audit Committee held three meetings to review interim and annual financial results and reports during of the year ended 31 December 2018 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, the effectiveness of the Company's internal audit function scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also had two meetings with the external auditors without the presence of the executive Directors.

The consolidated financial statements of the Group for the year ended 31 December 2018 had been reviewed by the audit committee and audited by the external auditors.

The attendance record of each Director at the Audit Committee meetings held during the year ended 31 December 2018 is set out below:

Audit Committee	*Attendance*
Mr. Yau Pak Yue (Chairman)	3/3
Mr. Leung Ka Tin	3/3
Mr. Lu Nim Joel	3/3

REMUNERATION COMMITTEE

A remuneration committee has been established with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the remuneration committee are to determine the remuneration packages of individual executive Directors and senior management, review and make recommendation to the Board on the remuneration policy and structure for all Directors and senior management, and establish transparent procedures for developing such remuneration policy to ensure that no Director or any of his associates will participate in deciding his own remuneration. The remuneration committee consists of three independent non-executive Directors, namely Mr. Leung Ka Tin, Mr. Yau Pak Yue and Mr. Lu Nim Joel. Mr. Yau Pak Yue, an independent non-executive Director of the Company, is the chairman of the remuneration committee. For the year ended 31 December 2018, the remuneration committee has held three meeting.

The primary functions of the Remuneration Committee include determining the remuneration packages of individual executive Directors and senior management; reviewing and making recommendation to the Board on the remuneration policy and structure for all Directors and senior management; establishing transparent procedures for developing such remuneration policy to ensure that no Director or any of his associates will participate in deciding his own remuneration.

The Remuneration Committee currently consists of three independent non-executive Directors, namely, Mr. Leung Ka Tin, Mr. Yau Pak Yue, and Mr. Lu Nim Joel. Mr. Yau Pak Yue, an independent non-executive Director, is the chairman of the Remuneration Committee. Ms. Feng Xiaoying ceased to be member of the remuneration committee after her resignation as executive Director on 9 February 2018.

The Remuneration Committee met three times to review and make recommendation to the Board on the remuneration policy and structure of the Company, and to determine the remuneration packages of the executive Directors and senior management and other related matters during the year ended 31 December 2018.

The attendance record of each Director at the Remuneration Committee meetings held during the year ended 31 December 2018 is set out below:

Remuneration Committee	*Attendance*
Mr. Yau Pak Yue (Chairman)	3/3
Mr. Leung Ka Tin	3/3
Mr. Lu Nim Joel	3/3
Ms. Feng Xiaoying (Resigned on 9 February 2018)	0/0

The remuneration of senior executives by band for the year ended 31 December 2018 is set out below:

	Number of Persons
HKD0 to HKD500,000	7
HKD500,001 to HKD1,000,000	1
HKD1,000,001 to HKD1,500,000	1
HKD1,500,001 to HKD2,000,000	1

NOMINATION COMMITTEE

A nomination committee has been established with written terms of reference in compliance with the Corporate Governance Code. The principal duties of the nomination committee are to review the Board composition, make recommendations to the Board on the appointment and succession planning of Directors, and assess the independence of independent non-executive Directors. The nomination committee consists of three independent non-executive Directors, namely Mr. Leung Ka Tin, Mr. Yau Pak Yue and Mr. Lu Nim Joel and one executive Director, namely Mr. Wu David Hang. Mr. Wu David Hang, an executive Director of the Company, is the chairman of the nomination committee. Ms. Feng Xiaoying ceased to be member of the nomination committee after her resignation as executive Director on 9 February 2018. For the year ended 31 December 2018, the nomination committee has held three meeting.

The Nomination Committee has adopted a set of nomination procedures for review of the structure, size and composition (including the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; implement and review the Board Diversity Policy; develop, review and disclose the policy for nomination of directors; assess the independence of independent non-executive Directors; and make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer.

The Nomination Committee met three times to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting during the year ended 31 December 2018.

The attendance record of each Director at the Nomination Committee meetings held during the year ended 31 December 2018 is set out below:

Nomination Committee	*Attendance*
Mr. Wu David Hang (Chairman)	3/3
Mr. Leung Ka Tin	3/3
Mr. Yau Pak Yue	3/3
Mr. Lu Nim Joel	3/3
Ms. Feng Xiaoying (Resigned on 9 February 2018)	0/0

BOARD DIVERSITY POLICY

The Board has adopted a revised Board Diversity Policy on 31 December 2018 to comply with the Code Provision and the Stock Exchange's recent guidelines on board diversity. The Policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills. In identifying suitable candidates, the Nomination Committee will consider candidates on merit and against the objective criteria with due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the Corporate Governance Report and monitor the implementation of the Board Diversity Policy. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this report, the Board comprises five Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, whether considered in terms of age, experience, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

DIVIDEND POLICY

The Board adopted a dividend policy on 31 December 2018. The Board has the discretion to declare and distribute dividends to the shareholders of the Company. Any declaration of final dividends for the year will be subject to the approval of the Company's shareholders. The Board shall take into account the financial position, cashflow situation, business conditions and strategies, current and future operations and earnings, capital requirements and expenditure plans, interests of shareholders, prevailing economic environment, any restrictions on payment of dividends of the Group and any other factors or conditions that the Board may consider relevant when considering the declaration and payment of dividends.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 55 to 61.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2018 is set out under note 9 to the Financial Statements on page 103.

INTERNAL CONTROLS AND RISK MANAGEMENT

Our Board of Directors has the overall responsibility to ensure that sound and effective internal controls and risk management are maintained. The internal control system, which is overseen by the executive directors and the management, is designed to provide reasonable assurance on the effectiveness and efficiency of operations to safeguard assets against unauthorized use or disposition and to maintain proper accounting records for producing reliable financial information.

Under Code Provision C.2.5, the Group should have an internal audit function. The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, instead of setting up an internal audit department, the annual review on the risk management and internal control systems of the Group has been conducted by a professional third party and reported to the Audit Committee members. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Appropriate measures have been put in place to manage the risks. No major issue was raised for improvement. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

In additions, the Board has the overall responsibility for evaluating and determining the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management system. The Audit Committee supports the Board in monitoring the Group's risk exposures and the design and operating effectiveness of the underlying risk management system. The external independent consultant reported on any control issues identified in the course of their work and presented to the Audit Committee members.

While the Board strives to implement an effective and sound internal control and risk management system to safeguard the interest of Shareholders and the Group's assets, the Board also acknowledges that a sound system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable but not absolute assurance. The effectiveness of the internal control and risk control systems will be reviewed on an annual basis.

During the year, the Group has appointed an external independent consultant to conduct a review of the Group's internal control systems. It covers all material financial, operational and compliance controls. The Board has conducted an annual review on the effectiveness of the Group's risk management and internal control systems based on the reports of the external independent consultant and considers that the Group's risk management and internal control systems as at 31 December 2018 to be effective and adequate.

COMPANY SECRETARY

Mr. Chu Kin Ming resigned as the company secretary of the Company (the "Company Secretary") and Mr. Yau Chi Chiu was appointed as the Company Secretary on 28 February 2018. Pursuant to rule 3.29 of the Listing Rule, the company secretary must take no less than 15 hours of relevant professional training in each financial year. During the year ended 31 December 2018, the Company Secretary provided his training records to the Company indicating more than 15 hours of relevant professional development by means of attending seminars and reading relevant guideline materials.

CONSTITUTIONAL DOCUMENTS

During the year, there was no significant change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholder meetings, including the election of individual Directors. All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each Shareholder meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Pursuant to article 58 of the Company's articles of association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one 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.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Corporate Governance Report

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the principal place of business of the Company in Hong Kong:

Address: Room 510, 5/F, Chater House,
8 Connaught Road, Central, Hong Kong
(For the attention of the Company Secretary)

Fax: (852) 3184 0111
Email: kent.yau@zhonghongintl.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (852) 3897 9800 for assistance.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings of the Company to meet Shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its articles of association. The version of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

Environmental, Social and Governance Report

REPORT SCOPE, MATERIALITY AND PERIOD

This environmental, social and governance report ("ESG Report") was published in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the "comply or explain" provisions contained therein.

As identified by our materiality assessment on business operations, we decide to include in this ESG Report our performances and initiatives on environmental protection, employment policies and benefits, operation management, community involvement and other aspects of our business operation of manufacture and sale of zippers in Foshan City, Guangdong Province and Zhejiang Province, the PRC, as well as our Hong Kong headquarters for the year from 1 January 2018 to 31 December 2018 (the "Reporting Period"). All information and data are from official documents and relevant records of the Group.

Materiality Assessment

This ESG Report was prepared by the management and employees of the Group, and serves to review the Group's internal practices on environmental, social and operating practices, and governance. We evaluate the significance of these issues to our development and stakeholders, and report accordingly.

Stakeholders' Feedback

We welcome stakeholders' feedback and suggestions on the ESG Report and our sustainability performance. Please share your views with us by post to the principal office of the Company in Hong Kong at Suite 510, Chater House, 8 Connaught Road, Central, Hong Kong, or by email to kent.yau@zhonghongintl.com.

REPORTING ON ENVIRONMENTAL ASPECTS

We formulated, in accordance with the ISO14001 standard and applicable national laws and regulations, the Manual of Environmental Control System, which regulates our environmental policy covering design, manufacture, sale and other procedures. It also outlines the necessity of reducing waste and saving energy and requires our employees to recycle resources whenever possible, minimising environmental impact during daily operation. The Group's designated committee reviews the Group's environmental approaches on an annual basis and updates them depending on the actual circumstances.

During the Reporting Period, the Group experienced no non-compliance of environmental laws and regulations relating to significant environmental issues including exhaust gas emission, wastewater discharge, and hazardous and non-hazardous waste.

1. Emission Management

Hazardous waste and non-hazardous waste management

Industrial waste from our production processes mainly includes:

- hazardous waste such as waste mineral oil, dyestuff, waste coating, broken lamps, waste barrels;
- non-hazardous waste such as packages, zippers, sludge, domestic refuse.

The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) and the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物儲存污染控制標準》) as we stringently follow relevant requirements to pack, store and send our hazardous waste to authorised professional waste handling institutions for recycling and disposal, so as to avoid secondary pollution. Dyeing sludge is dewatered to reduce its water content and volume to ease the burden on landfills; whilst non-hazardous waste such as domestic refuse and kitchen waste are collected and disposed of by relevant municipal government departments.

Exhaust gas and greenhouse gas, dust

We have the Pollutant Discharge Permit (《污染物排放許可證》) issued by the Ministry of Environmental Protection and ensure emission level is in compliance with the prescribed standards of the state on the basis of obtainment of pollutant emission permit from the governmental regulatory authority. We also continue to improve exhaust gas emission system to reduce environmental impact. Local ministry of environmental protection performed random checks on sulphur dioxide, carbon monoxide and other exhaust gas during the Period. Inspection results showed that our emission was lower than the permissible density limit of air pollutants for oil-fired boilers stipulated by the Emission Limit of Air Pollutants for Industrial Boilers (《鍋爐大氣污染物排放限值》).

Wastewater treatment

Wastewater generated from the Group's operating processes mainly includes dyeing wastewater and boiler wastewater. For sewage treatment, we have installed wastewater storage and monitoring system. Wastewater enters sewage facilities and is treated by the reclaimed water recycling system. Upon treatment, it can be reused for dyeing process and effectively increase recycling volume of reclaimed water, thus reducing sewage.

In addition, we will send our discharged wastewater to certified organisations for test. Local environmental protection ministry will also perform regular check on wastewater discharged. Emissions in wastewater, such as COD, suspended solids and nitrogen, meet the Discharge Standards of Water Pollutants Source for Dyeing and Finishing Prevention (《紡織染整工業水污染物排放標準》).

During the Reporting Period, the Group saved more than 100 tonnes water per day. We proactively supported green operation, introduced automation while improved our processes, reused wastewater for the dyeing process.

Emission Data:

Emissions	Quantity	Unit
Greenhouse gas		
• Scope 1 — direct emission		
(i) Fuel consumption	13,321.3	KG CO2e
• Scope 2 — indirect emission		
(i) Electricity consumption	7,086	KG CO2e
(ii) Gas	18,996.5	KG CO2e
Exhaust gas		
• Nitrogen Oxide (NOx)	12,324	Gram
• Sulfur Oxide (SOx)	292.73	Gram
• Particulate matter (PM)	907.39	Gram
Hazardous wastes		
• Waste mineral oil, dyestuff, waste coating, broken lamps, waste barrels;	164.1	Tonnes
Non-hazardous wastes		
• domestic refuse and kitchen waste	43.57	Tonnes

2. Efficient use of resources

Reducing wastage, recycling and reusing not only can make better use of the limited resources on Earth, but also help to cut cost. So numerous eco-measures have been incorporated into our daily operation and we also encourage our employees to take part in them.

Electricity is the major energy source of the Group's production process. We have adopted green lighting and reduced electricity consumption by replacing energy-saving lamps. To further conserve and efficiently utilise water, the Group repaired aged water pipes, fixed water leakage and reduce tap water consumption. Besides, our research and development department introduced two metal zippers cleaners, which efficiently wash away plating solution and thus lower the use of water.

In daily operation, we encourage our employees to utilise electronic ways such as email for daily works, promote paperless office and encourage double-sided printing, switching off lights, computers, fans and other electronic appliances that lie idle to reduce waste.

Resource Consumption Data:

Resources Consumed	Quantity	Unit
Total Water Consumption	331,050	Tonnes
Total Density of Water Consumption	532.2	Tonnes/Full-time workers
Total Electric Power Consumption	8,970,060	Kwh
Density of Electric Power Consumption	14,421.3	Kwh/Full-time workers
Gas Consumption	34.9	Tonnes
Density of Gas Consumption	0.06	Tonnes/Full-time workers
Fuel Consumption (including diesel Oil, liquefied petroleum gas and gasoline) — Vehicle — Equipment and machines	 19,322.1 18,489.4	 Litre
Density of Fuel Consumption (including diesel Oil, liquefied petroleum gas and gasoline) — Vehicle — Equipment and machine	 31.1 20.7	 Litre/Full-time workers
Paper Consumption	5,514	KG
Density of Paper Consumption	8.7	KG/Full-time workers
Refrigerant Consumption	80	KG
Density of Refrigerant Consumption	0.13	KG/Full-time workers
Packaging Material Consumption (carton)	57,258.6	KG
Density of Packaging Material Consumption (carton)	92.1	KG/Full-time workers
Packaging Material Consumption (plastic bags)	15,533.98	KG
Density of Packaging Material Consumption (plastic bags)	25	KG/Full-time workers

3. Environment and Natural Resources

The Group understands the importance of protecting the environment. We regularly assess if any major environmental impact incurred from operations, review our environmental practices and adopt necessary preventive or improvement measures to minimise our adverse environmental impact from the business operations and foster the sustainable development of the Group and the environment.

The Group communicates with its suppliers, business partners, and customers to better understand their environmental policies, to select qualified green raw materials, and to introduce energy efficient equipment. Meanwhile, we are committed to promote environmental awareness among employees in the workplace.

REPORTING ON SOCIAL ASPECTS

Employment and Labour Practices

1. Employment

Employment policy

Employees are important assets of the Group. A sophisticated human resources management facilitates to maintain corporate competitiveness. We are dedicated to improving our recruitment system and working environment, building a platform for employees to develop their career and caring for employees and thus ensuring that all employees are protected and respected.

The Group complies with national and regional laws and regulations of Hong Kong and Mainland China such as The Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Employment Ordinance (《僱傭條例》) of Hong Kong, and formulated a fair and open employment policy and the Anti-discrimination Policy , which stipulates that all employees are entitled to fair employment opportunities, regardless of nationality, religious belief, gender, marital status, disability and age (except for below 16).

The Group strictly complies with the Law of the People's Republic of China on the Protection of Disabled Persons (《中華人民共和國社會保險法》) and the Mandatory Provident Fund Schemes Ordinance (《強制性公積金計劃條例》) of Hong Kong Law, to pay for housing provident fund, social insurance, mandatory provident fund, labour insurance among others. We also offer statutory rest periods, marital and bereavement leave, maternity leave, injury leave, annual leave, family planning leave and paternity leave.

Talent Selection

As to staff recruitment, we framed the Recruitment Management System, which provides fair and open recruitment procedures. Human Resources Department selects talent based on objective criteria including work experience, job skills and academic background. In order to attract and retain talents, the Group offers reasonable and competitive remuneration and employee benefits. Salary adjustment and promotion are made according to objective factors such as job performance and professional skills, together with regular results and work assessment.

Good communication

The Group caring for employees. We always happy to communicate with our employees and we are committed to improve our human resources management system by listening to their views. We have introduced the "Notice on Building Closer Relationship with Employees" whereby human resources department and other relevant departments participate in building reciprocal communication in various procedures, including job interview, period from probation to becoming permanent, and resignation. Employees are entitled by law to organise labour union and are allowed to discuss with their supervisors to give any suggestions and opinions. We have also set up an Employee Mailbox with complaint hotline where our staff can voice their complaints and recommendations to the management. We will protect the identity of the complainants; whilst we will listen to and reward those who bring us good recommendations.

Employees' benefits

We have installed table-tennis tables, snooker tables, gym room and other facilities for employees. We organise social, recreational and sports activities including basketball games and birthday parties. Through gathering, movie session, travelling and other activities to provide after-work relaxation for employees.

We provide dormitory for our factory works, as well as Wi-Fi, daily necessities for free. We also replace and repair air-conditioners in a timely manner and gradually improve living condition at dormitory. Our staff canteen provides employees with balanced diet with the combination of both meat and vegetables, and healthy and safe dining environment. Employees involved in food making receive annual body check and are required to wear chef hats, masks, plastic shoes and other safety gear. We are obliged by local law to obtain Food Service Permit (《食品衛生許可證》). Administration and Diet Committee oversees the operation of staff canteen and suppliers providing food ingredients to our staff canteen, in order to ensure that the supplies meet national hygiene standard. The committee regularly distributes survey form for satisfaction with staff canteen and follows up with improvement and tracking of opinions.

As at the end of the Period, we had 622 employees. Key indicators of different work departments, regions, age groups and gender are set forth in the table below.

Executives and other workers as % of total workforce are as follows:

Age	Executives (%)	Other workers (%)	Total
18–25	15 (2.4%)	42 (6.8%)	57 (9.2%)
25–30	49 (7.9%)	61 (9.8%)	110 (17.7%)
30–40	131 (21%)	164 (26.4%)	295 (47.4%)
40–50	50 (8%)	92 (14.8%)	142 (22.8%)
>50	6 (1%)	12 (1.9%)	18 (2.9%)
Total	251 (40.35%)	371 (59.65%)	622 (100%)

Most of our employees work in the Mainland China. Proportional ratios of our workforce by geographical region are as follows:

Mainland China	615 (98.87%)
Hong Kong	7 (1.13%)

Proportional ratios of our workforce by age are as follows:

18–25	57 (9%)
25–30	110 (18%)
30–40	295 (47%)
40–50	142 (23%)
Above 50	18 (3%)

Proportional ratios of our workforce by gender are as follows:

Male	380 (61.1%)
Female	242 (38.9%)

2. *Health and Safety*

The Group values health and safety of employees and is committed to provide a safe workplace by strictly complying with relevant laws and regulations including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》) and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》).

We implement 5S workplace management at our factories, namely sort, set in order, sweep, clean and manner. We provide employees with protective gear and tools, such as gloves, masks, earwear and safety boots. Labour gear wearing supervision mechanism is in place as regular checks and monitoring employees' wearing of protective gear. For employees of some special categories, such as electricians, are required to obtain licences recognised by the national government and pass the necessary exams prior to work. Our employees are required to replace damaged electricity wires, carry our maintenance and repair of electronic appliances and wire safety, and ensure double insulation of electricity wires.

We commission a qualified professional organisation specialising in detection and evaluation of workplace occupational hazards on an annual basis to monitor the work environment and take improvement measures for occupational health safety risks at workplace. The Group provides to the relevant staff with annual occupational health examination. In addition, the Group carries out full inspection and analysis on machineries, and arranges protection measures for those with potential safety issues. For instance, safety screens have been added for all semi-automatic punching equipment to provide extra protection to workers.

We enforce three-tier training mechanism for new joiners who shall acquire knowledge of production safety and relevant regulations and system, use of safety equipment, use and maintenance of personal protective gear, preventive measures and occupational hazards, so as to enhance their safety awareness.

Education categories	Abstract
First level (Corporate education)	• The company's production safety circumstance and basic knowledge of production safety; • The company safety rules and regulations and labor discipline; • The employees' rights and obligations in production safety; • Emergency rescue plan and self-help knowledge; • The accident case study; • Other safety-related training
Second level (workplace education)	• Working environment and risk factors; • Occupational hazards and casualties that may be suffered; • Work safety responsibilities, operational skills and mandatory standards; • Rescue and first aid methods, evacuation and on-site emergency treatment; • Use and maintenance of safety equipment and personal protective equipment; • Safety production conditions in workplace and related rules and regulations; • Measures to prevent accidents and occupational hazards and safety matters that should be paid attention to; • The accident case study; • Other training content
Third level (position education)	• Safety operating procedures for related position; • The safety and occupational health matters relating to interconnection between different positions; • The accident case study; • Other training content.

We have formulated Fire Safety Control System and installed interactive fire alarm system in our factories. Designated staff is responsible for the monthly inspection, maintenance and repair for fire equipment, which is also checked by licensed professional institution on a yearly basis. All safety exits are equipped with safety lights and emergency lights and without obstruction by goods. We have also set up a production safety taskforce to formulate emergency plans; whilst actively cooperating with local fire departments to organise fire drills in springs and autumns for all employees. Staff's awareness of fire safety is heightened through drills of pre-set escape routes, training on use of fire extinguishers and first-aid.

We send workplace representatives to participate in first aid knowledge training provided by the Red Cross, announce the list of first-aiders and set up emergency first aid kits. Each year, the Group also invites local authoritative medical rescue units to conduct on-site first aid knowledge training for all employees.

During the Reporting Period, there were 11 minor accidents of work-related injuries, mainly attributable to improper use of machineries and equipment malfunction. No severe industrial accidents were recorded by the Group. We will continue to foster greater safety awareness amongst our employees through series of on-the-job training.

Item	Production base of the Group	
	Guangdong	Zhejiang
Days lost due to work injury	81	106

3. *Development and Training*

New joiners will receive induction training covering corporate culture, regulations and system, safety training, environmental health and safety training, job skills and work procedures. That helps employees to better understand the working environment.

The Group's Training Management System regulates employee training policies and provides employees with a wide range of internal and external trainings. The human resources department draws up annual training plans, which are readjusted subject to actual needs, to enhance their competitiveness and professional capability.

In addition, we have forged long-term cooperation with external training institutions to invite renowned teachers from relevant background to lecture our employees on human resources management, finance, production management, personal attributes, research and development, and marketing. The Group organises finance and taxation training for financial officers every year to enhance their accounting skills.

We provide trainings such as "Minimising Ethical Trade Risks of Supply Chain" (《降低供應鏈道德貿易風險》) to enhance front-line managers' awareness and capability. For senior management and other crucial talent, master's degree program of business administration and professional English training are subsidised by the Group to enhance our management competitiveness.

During the Reporting Period, the Group had 469 participants of our trainings, total training hours are 3,019 hours. Statistics of trainings by position are as follows:

Positions	Trained employees	Trained ratios	Average training hours
Senior management	3	0.64%	132
Executives	124	26.44%	819.5
Others	342	72.92%	2,067.5

4. *Labour Standards*

The Group strictly complies with national laws and regulations, and prohibits use of child labour and forced labour. Human Resources Department will verify candidates' identity during recruitment process to avoid engaging child labour. We have formulated the Code of Social Responsibility to prohibit any forced labour and child labour.

Our Employee Manual ensures reasonable working hours which shall not exceed the limit stipulated by local laws and employees are entitled to one day-off per week, with no forced overtime work. We offer night shift allowance and overtime compensation.

We have formulated the Complaint Management Procedures, whereby employees under forced labour can make written complaints to factory supervisors through opinion boxes or voice out through labour union, or make verbal complaints to the management of the factories. Under the comprehensive laws and internal policy, the interests of our employees are safeguarded.

During the Reporting Period, there was no child labour and forced labour within the Group.

Operating Practices

5. *Supply Chain Management*

Our Supply Chain Management System regulates our procurement management system and procedures. We are committed to forge long-term and positive partnership with suppliers based on fair, just and open principles by entering "Clean Cooperation Commitment" with them. We have kept the original counter-signed copy and will improve the Commitment from time to time. Suppliers are assessed based on quality, reliability, pricing in supply, delivery time, quality assurance system, company scale and other factors. The Group will also take into account the suppliers' measures to fulfil their commitment to environmental protection for sorting and regular evaluation of suppliers, with a view to striking a fine balance between source control and economic benefits of recruitment.

Monitoring at source

The Group has established the Chemicals Safety Control System and Control Standard of Prohibited Substances, and updated the latter During the Reporting Period to reinforce safety control of chemicals. In 2018, all chemical suppliers of the Group held MSDS reports which listed out the main ingredients, user guide, storage and transportation in details. We printed the reports out and put up at visible spots of the warehouse. We updated the testing reports done by third-party agencies for the main raw materials in a timely manner and saved the reports in employee shared drive. Meanwhile, all procured materials are required to meet requirements of the eighth level of needle detection. We also purchased a needle detector to inspect metal materials and ensure product quality.

Suppliers by region and type:

Type \ Region	Anhui	Fujian	Guangdong	Hubei	Jiangsu	Shanghai	Hong Kong	Zhejiang	Total
Packaging materials	0	0	3	0	0	0	0	3	6
Chemical materials	0	3	28	0	6	3	0	5	45
Zippers materials	2	2	24	0	1	3	2	6	40
Zippers processing factories	0	0	7	0	0	0	0	0	7
Sliders materials	0	1	7	0	3	0	0	4	15
Sliders processing factories	0	0	0	0	1	0	0	2	3
Equipment factories	0	3	18	0	3	2	0	2	28
Equipment parts factories	0	2	26	0	2	9	0	6	45
Logistics	0	0	3	1	0	1	0	1	6
Total	2	11	116	1	16	18	2	29	195

6. *Product Responsibility*

Quality assurance

The Group endeavours to offer high-quality products and services. We are committed to improve our product quality, attract new customer, and strengthen our relationship with existing customers.

We have established a comprehensive quality assurance system and our production bases have passed the certification of ISO9001 quality control system, the STANDARD 100 by OEKO-TEX® (OEKO-TEX 100) textile product certification system and Trim Qualification Program (TQP) quality control system. The Group has set up a competent comprehensive quality control department, which implements product quality standards in strict compliance with customers' requirements.

The Group has developed Customer Complaint Handling Mechanism to analyse customers' complaints within a specific period of time and send to quality control department for verification. In 2018, we received 70 complaints, representing a decrease of 22.22% over 2017; whilst having no product recall for health and safety problems.

Consumer service

We are pleased to listen to consumers' opinions. Customers can express their opinions by verbal form, telephone, mail, fax, visiting or other form to the Group. The Group has developed Customer Complaint Handling Mechanism to investigate and handle complaints promptly, as well as revert back. Quality control department will investigate complaints concerning product quality, while sales department is responsible for customer communication.

Privacy policy

The Group stresses the importance of safeguarding data of employees and customers. We strictly comply with the Personal Data (Privacy) Ordinance (《個人資料(私隱)條例》) of the Hong Kong Law and have set out relevant guidelines to ensure proper handling and storage of employee and customer data, with an aim to eliminating behaviour of unauthorised edit, use, resale or use for other purposes of customer information.

Advertising

The Group conforms the requirements of Advertisements Law of the People's Republic of China (《中華人民共和國廣告法》) and manages design and change of packaging materials used for new products. Packaging specifications, size and material requirements, labelling, user manual and other items are approved by marketing department, production department, logistics department and quality control department. During the Reporting Period, all advertising and publicity activities are in strict compliance with the advertising and promotion laws and regulations enforced in regions where we operate our businesses. We did not publish any advertisement with false statement that would bring damage to consumers.

7. Anti-corruption

The Group advocates honesty and trustworthiness, and is dedicated to eliminate any corruption, bribery, fraud, illegal rebates, misappropriation and theft of corporate assets.

We follows the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Prevention of Bribery Ordinance (《防止賄賂條例》) of Hong Kong Law and other national or regional laws and regulations, and have established the Anti-corruption and Reporting System. All employees, except general workers, shall enter into "Clean Agreement". "Clean Cooperation Commitment" is also required to be entered into with customers or suppliers before transacting with them, promising no behaviour violating the principle of good faith such as fraud and bribery in any business connection.

Whistle-blowing policy

We have created reporting email, hotline and mailbox which are monitored and investigated by the Group's internal control department. A rewarding system for reporting is also in place. We will keep the names, addresses of whistle-blowers and departments where they work in strict confidence. Once receiving any report, we will promptly investigate and verify. Upon confirmation, we will forward the serious cases to law enforcement authorities, and reward and recognise the whistle-blowers to a certain extent.

In 2017, the Group's internal control department uncovered that an employee, who used to work in the procurement department, misled by words the signatory to procure materials at prices above market level, whilst receiving rebates from suppliers. The Group attaches great importance to this incident and has reported it to the local Administration for Industry and Commerce and the authority in where the supplier is located, to request for investigation. During the Reporting Period, the local administration for market regulation issued an Administrative Penalty Decision to the aforementioned employee and suppliers and imposed relevant administrative penalties.

During the Reporting Period, 62 employees received anti-corruption training arranged by the Group to promote the awareness of integrity and to educate our employees about national and regional anti-corruption laws and regulations. We will continue to fight corruption and bribery to eliminate dishonest act in business.

8. Community

Community investment

The Group has established the "KEE Charitable Foundation" to help employees in difficult situations through raising fund from employee donations and the support from the labour union. This way the Group can enhance its corporate appeal, build up team spirit, and proactively fulfill its corporate social responsibility. The aid covers support to employees with unaffordable education expenses for their children, incapacity of employees or their major family members as a result of severe accidents or illness, unaffordable medical expenses, damages caused to employees and their families by natural disasters. In 2018, we utilised RMB65,000 from the foundation fund to help an employee whose family member with cancer, an employee with eye disease and provide care for an employee's premature baby.

Over the years, we have been fulfilling our corporate social responsibility with the donation to the disabled and the impoverished; whilst we have been supporting the growth of athletes and young people. We encourage our employees to actively participate in charitable events and visit the disabled during festive occasions and holidays. Every year, we organise sheltered factory visits to show our care to the disabled, collect donations to help employees in difficult situations and actively participate in community activities. During the Reporting Period, our employee representatives achieved excellent results in basketball friendly matches and firefighters' wushu competitions.

Environmental, Social and Governance Report

ESG Reporting Guide of Stock Exchange:

Subject Areas	Content	Section in This ESG Report
A. Environmental Aspect		
A1 Emissions		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection — Emissions Management
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection — Efficient Use of Resources
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection — Environment and Natural Resources
B. Social Aspect		
Employment and Labour Practices		
B1 Employment		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practices — Employment
B1.1		
KPI	Total workforce by gender, employment type, age group and geographical location.	Data Highlights
B1.2		
KPI	Employee ratio by gender, age group and geographical location.	Data Highlights
B2 Health and Safety		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and Labour Practices — Health and Safety

Subject Areas	Content	Section in This ESG Report
B2.2 KPI	Lost working days due to work injury.	Data Highlights
B3 Development and Training General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and Labour Practices — Development and Training
B4 Labour Standard General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Practices — Labour Standards
Operating Practices B5 Supply Chain Management General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices — Supply Chain Management
B6 Product Responsibility General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices — Product Responsibility
B7 Anti-corruption General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practices — Anti-corruption
Community B8 Community Investment General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

Biographies of Directors and Senior Management

As at the date of this annual report, the Board consists of five Directors, including two executive Directors and three independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Wu David Hang, aged 56, was appointed as an executive Director, chairman of the Board, chief executive officer and authorized representative of the Company with effect from 17 February 2016. He is a vice president of overseas business development of 中弘卓業集團有限公司 (Zhonghong Zhuoye Group Company Limited*), which is the controlling shareholder of 中弘控股股份有限公司 ("Zhonghong Holding Co. Ltd*, "Zhonghong") and holds approximately 34.51% of the issued shares of Zhonghong. Prior to this, he was an investment banker, with a focus on cross-border transactions in Asia markets, especially in China market for many years. From 1996 to 2004, Mr. Wu served as a vice president of the Corporate Finance and Investment Banking group at Citigroup. From 2004 to 2007, Mr. Wu worked as a principal at Marco Polo Partners in New York. From 2007 to 2009, he worked at China Power Development Corp. New York, a renewable energy development firm, as one of the founding members. From 2009 to 2015, Mr. Wu served as a managing director of Herakles Capital International, a New York based investment banking firm. Mr. Wu obtained his MBA degree from University of District of Columbia, USA and his Bachelor of Science degree from University of Electronic Science and Technology of China.

Mr. Yau Chi Chiu, aged 42, was appointed as an executive Director with effect from 12 April 2018. Mr. Yau is also the chief financial officer, company secretary and authorised representative of the Company. Mr. Yau is a fellow member of the Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Yau holds a Bachelor of Accounting degree from The University of Hong Kong. Mr. Yau has extensive experience in the areas of financial accounting, auditing, taxation, company secretarial and management accumulated mainly from working for an international accounting firm and People's Food Holdings Limited, a company engaged in feed production, hog production, slaughtering, the production, distribution and sale of fresh pork and processed meat products, with the last position as the chief financial officer and company secretary.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yau Pak Yue, aged 50, was appointed as an independent non-executive Director with effect from 28 July 2017. Mr. Yau obtained his Bachelor of Commerce (majoring in accountancy) from the University of Wollongong in Australia. Mr. Yau was appointed as an independent non-executive director of Ascent International Holdings Limited ("Ascent"), from September 2017 to August 2018. He was the chief knowledge officer of Guangzhou Chengfa Capital Company Limited, a state-owned fund management company, from May 2015 to January 2017. Prior to that, he was the chief executive officer of Taiyang International Cold Chain (Group) Limited from March 2014 to July 2014, and a Partner at Deloitte & Touche Financial Advisory Services Limited from June 2005 to November 2012. He has over 20 years of experience in mergers and acquisitions transaction supports and financial due diligence. Mr. Yau is also a certified public accountant in Hong Kong and a certified practising account in Australia.

Mr. Lu Nim Joel, aged 61, was appointed as an independent non-executive Director with effect from 4 August 2017. He obtained his Bachelor of Science and Master of Business Administration from the University of Toronto in Canada. Mr. Lu has more than 30 years of financial experience in the banking industry. Mr. Lu is a chartered financial analyst, and was licensed as an Executive Officer by the Hong Kong Monetary Authority and Responsible Officer by the Securities and Futures Commission respectively in his previous employment. Mr. Lu was a managing director and the head of investments at Rothschild Wealth Management (Hong Kong) Limited from June 2012 and to July 2016. Prior to his last position, Mr. Lu served as a director in the Asset Management Division at Credit Suisse (Hong Kong) Limited and managing director at the Private Bank division of Barclays Bank PLC in Hong Kong. Mr. Lu has also served as an independent non-executive director of Link Holdings Limited, a company listed on the GEM operated by the Stock Exchange (stock code: 8237) from December 2015 to July 2017.

* *English translation or transliteration of the Chinese names is for information purpose only and should not be regarded as the official English names of such Chinese names.*

Biographies of Directors and Senior Management

Mr. Leung Ka Tin, aged 65, was appointed as an independent non-executive Director with effect from 17 February 2016. Mr. Leung holds a Diploma in Management Studies. Mr. Leung has 35 years of management experience in banking, treasury operation, project finance, logistics and human resource management. He was a senior management team member of various financial institutions including First Pacific Group, Nedcor Asia (previously known as Nedfinance), BfG Germany and Delta Asia Financial Group as well as companies in the logistics and telecommunication sectors including EAS Da Tong Group and Trident Telecom Ventures Limited. Mr. Leung also has extensive experience in the corporate finance field. He served as directors for the following companies listed on the Stock Exchange or the GEM operated by the Stock Exchange, namely China Kingstone Mining Holdings Limited (stock code: 1380) as executive director and Ascent (stock code: 264) and Wealth Group Holdings Limited (stock code: 8269) as independent non-executive director. He is currently serving as an independent non-executive director respectively for PanAsialum Holdings Company Limited (stock code: 2078) and Narnia (Hong Kong) Group Company Limited (stock code: 8607) which are listed on the Stock Exchange or the GEM operated by the Stock Exchange.

SENIOR MANAGEMENT

The senior management are responsible for the day-to-day management of the Group's business.

Mr. Xu Xipeng (許錫鵬), aged 53, is the elder brother of Mr. Xu Xinan. Mr. Xu holds directorship in various subsidiaries of the Company and Mr. Xu is responsible for the formulation of development strategies and production management of zipper business. Mr. Xu has over 25 years of experience in the zipper industry, especially on the overall management and production supervision.

Mr. Xu Xinan (許錫南), aged 48, is the younger brother of Mr. Xu Xipeng. Mr. Xu holds directorship in various subsidiaries of the Company and Mr. Xu is responsible for sales and marketing and non production management work of zipper business. Mr. Xu has over 25 years of experience in the zipper industry especially on the overall management and sales and marketing.

Mr. Xu Haizhou (徐海州), aged 43, joined the Group in May 2010, is currently responsible for financial management, human resources and administration management, information technology work of zipper business. Mr. Xu obtained a bachelor's degree in economics from Hubei University in 1999 and thereafter he was graduated from Sun Yatsen University in 2016 and obtained an MBA. Mr. Xu is also a member of the Chinese Institute of Certified Public Accountants and a certified tax agent in the PRC.

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are design, manufacture and sale of finished zippers and other garment accessories etc. in China. The Group's major customers are OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well known international apparel labels in China.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2018 are set out in note 27 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group during the year, the description of the future business development, and the risks and uncertainties that the Group faces are set out in the Chairman's statement and Management Discussion and Analysis in this annual report. The particulars of financial risk management of the Group are set out in note 30 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Group's Financial summary on page 3 of this annual report.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2018 and the financial position of the Group as at that day are set out in the consolidated financial statements on pages 62 to 65.

A discussion and analysis of the Group's performance during the year and material factors underlying its results and financial position are set out in the Management Discussion and Analysis of this annual report.

DIVIDENDS

The Board does not recommend any payment of a final dividend (2017: Nil) in respect of the year 2018 to the Shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 03 to 07 of this annual report.

RESERVES

As at 31 December 2018, distributable reserves of the Company amounted to HK$128.8 million (2017: HK$180.2 million). Details of movements in reserves of the Group during the year are set out in consolidated statement of changes in equity shown in the consolidated financial statements.

RELATIONSHIP OF STAKEHOLDERS

The Group continues to have the concept of "Do it for you", we work for employees, shareholders, partners including customers and suppliers and society. To the best knowledge of the Group, employees, customers and partners are the key to have continuous sustainable development. We committed to be people oriented and build up good relationship with employees and partners, and work together with our partners to provide high quality products and services to achieve the goal of sustainable development and contribution to the society.

Report of the Directors

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group paid high attention to environmental protection and energy conservation to enhance the capacity of sustainable development and undertake relative social responsibility. Details of the environmental policy and performance of the Group are set out in the environmental, social and governance report of this annual report. For the year ended 31 December 2018, our Group did not receive any environmental penalty.

COMPLIANCE WITH RELATED LAW AND REGULATIONS

As far as the Board and management are aware, the Group has complied all related laws and regulations in all material aspects which may have significant impact on the operation of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Sales and purchases of the Group attributable to its major customers and suppliers respectively for the two financial years were as follows:

	Year ended 31 December	
	2018	2017
	% of total turnover	% of total turnover
The largest customer	**4.8**	4.4
Five largest customers	**15.7**	14.0

The information required in paragraph 31(5) of Appendix 16 to the Listing Rules is omitted pursuant to paragraph 31(7) of Appendix 16 to the Listing Rules since the percentage of total turnover attributable to the five largest customers combined for the year ended 31 December 2018 was approximately 15.7%, i.e. less than 30%.

	Year ended 31 December	
	2018	2017
	% of total purchase	% of total purchase
The largest supplier	**13.1**	15.9
Five largest suppliers	**31.4**	39.9

All of the above five largest suppliers of the Group are independent third parties. To the best knowledge of the Directors, none of the Directors, their associates or any Shareholder holding more than 5% of the issued share capital of the Company, has any interest in any of the Group's five largest suppliers as disclosed above.

BANK BORROWING

As at 31 December 2018 and 31 December 2017, the Group do not have any bank loan.

PROPERTY, PLANT, EQUIPMENT

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

SHARE CAPITAL

Details of movements in ordinary shares of the Company during the year are set out in note 25(c) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands where the Company is incorporated.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

DIRECTORS

The Directors during the year and up to the date of this report are as follows:

Executive Directors
Mr. Wu David Hang *(Chairman and Chief Executive Officer)*
Mr. Yau Chi Chiu (Appointed on 12 April 2018)
Ms. Feng Xiaoying (Resigned on 9 February 2018)

Independent Non-executive Directors
Mr. Leung Ka Tin
Mr. Yau Pak Yue
Mr. Lu Nim Joel

In accordance with article 86(3) of the Company's articles of association, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office until the following general meeting of the Company and shall then be eligible for re-election. Also, in accordance with articles 87(1) and (2) of the Company's articles of association, one-third of the existing directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Mr. Wu David Hang and Mr. Leung Ka Tin will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors and senior management of the Group are set out on pages 43 to 44 of this annual report.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for directors' and officers' liabilities. The permitted indemnity provision is currently in force and was in force throughout the year ended 31 December 2018 in accordance with the definition in section 469 of the Companies Ordinance.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has any unexpired service contract which is not determinable by the Company or its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangement or contracts of significance in relation to the Company's business to which the Company, its holding companies or its subsidiaries was a party and in which a Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted as at the end of the year or any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, which competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2018 and up to and including the date of this annual report.

REMUNERATION POLICY

The remuneration of employees (including Directors and senior management of the Group) is determined with reference to their qualification, expertise and experience in the industry, competence, duties and responsibilities within the Group, the performance and profitability of the Group as well as the market benchmark and the prevailing market conditions. Employees shall also be eligible to receive a discretionary year-end incentive bonus, which shall be determined by the Group at its absolute discretion taking into account, inter alia, the Group's operating performance, market conditions in which the Group operates and the individual's performance, payable at such time as the Group may consider appropriate, and discretionary share options.

PENSION SCHEME

In the PRC, the Group contributes to social insurance on a monthly basis for its employees. The Group has no further obligation for payment of post-retirement benefits to employees beyond the aforesaid contributions made by the Group.

The Group also participates in mandatory provident fund scheme (the "MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group and are under the control of an independent trustee. Both the Group and its employees are required to contribute 5% of the employees' monthly salaries. The mandatory contributions required to be made respectively by the Group and an employee are each capped at HK$1,500 per month. Members are entitled to 100% of the employers' mandatory contributions as soon as they are paid to the MPF Scheme but all benefits derived from the mandatory contributions must be preserved until an employee reaches the retirement age of 65 or in accordance with the rules of the MPF Scheme.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

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

As at the date of the report, there is no interest of the Directors and chief executives in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

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

As at the date of the report, the register maintained under section 336 of the SFO shows that the Company had been notified of the following substantial Shareholders' and other persons' interests and short positions, representing 5% or more of the Company's issued share capital:

LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Capacity	Number of Shares	Approximate percentage of interest
Glory Emperor Trading Limited ("Glory Emperor")	Beneficial owner	326,089,600	70.16%
Li Zhen Hong Kong Trading Co., Limited ("Li Zhen") (note 1)	Interest in controlled corporation	326,089,600	70.16%
Shanghai Yongwen Investment Company Limited# ("Shanghai Yongwen") (note 2)	Interest in controlled corporation	326,089,600	70.16%
Beijing Zhonghong Hongyi Investment Company Limited# ("Beijing Zhonghong Hongyi") (note 3)	Interest in controlled corporation	326,089,600	70.16%
Zhonghong (note 4)	Interest in controlled corporation	326,089,600	70.16%
Zhonghong Zhuoye Group Company Limited# ("Zhonghong Zhuoye") (note 5)	Interest in controlled corporation	326,089,600	70.16%
Mr. Wang Yonghong (note 6)	Interest in controlled corporation	326,089,600	70.16%

Name of shareholder	Capacity	Number of Shares	Approximate percentage of interest
Noble Wisdom Ever Limited ("Noble Wisdom") (note 7)	Person having a security interest in shares	326,089,600	70.16%
Huarong Overseas Investment Holdings Co., Ltd ("Huarong Overseas") (note 8)	Interested in controlled corporation	326,089,600	70.16%
華融華僑資產管理股份有限公司（「華融華僑」）(note 9)	Interested in controlled corporation	326,089,600	70.16%
華融致遠投資管理有限責任公司（「華融致遠」）(note 10)	Interested in controlled corporation	326,089,600	70.16%
China Huarong Asset Management Co., Ltd ("China Huarong Asset Management") (note 12)	Interested in controlled corporation	326,089,600	70.16%
廣東錦峰集團有限公司（「廣東錦峰」）(note 11)	Interested in controlled corporation	326,089,600	70.16%
Hong Kong Kam Fung Group Company Limited ("Hong Kong Kam Fung") (note 13)	Interested in controlled corporation	326,089,600	70.16%
Ministry of Finance of People's Republic of China (note 12)	Interested in controlled corporation	326,089,600	70.16%
Sun Siu Kit (note 13)	Interested in controlled corporation	326,089,600	70.16%
Farco Holdings Limited (note 14)	Beneficial owner	39,130,000	8.42%
Qi Wei (note 14)	Interested in controlled corporation	39,130,000	8.42%
CM SPC (note 15)	Beneficial owner	30,000,000	6.45%
CM Capital Management (Cayman) Limited (note 16)	Interested in controlled corporation	30,000,000	6.45%
CM Asset Management Holdings Limited (note 17)	Interested in controlled corporation	30,000,000	6.45%
China Minsheng Financial Holding Corporation Limited (note 18)	Interested in controlled corporation	30,000,000	6.45%
CMI Financial Holding Company Limited (note 19)	Interested in controlled corporation	30,000,000	6.45%

Name of shareholder	Capacity	Number of Shares	Approximate percentage of interest
Minsheng (Shanghai) Assets Management Company Limited (note 20)	Interested in controlled corporation	30,000,000	6.45%
China Minsheng Investment Corporation Limited (note 20)	Interested in controlled corporation	30,000,000	6.45%

Notes:

1. Li Zhen wholly owns Glory Emperor.
2. Shanghai Yongwen wholly owns Li Zhen.
3. Beijing Zhonghong Hongyi wholly owns Shanghai Yongwen.
4. Zhonghong wholly owns Beijing Zhonghong Hongyi.
5. Zhonghong Zhuoye holds approximately 26.55% interest in Zhonghong.
6. Mr. Wang Yonghong wholly owns Zhonghong Zhuoye.
7. Noble Wisdom is wholly owned by Huarong Overseas.
8. Huarong Overseas is wholly owned by *華融華僑*.
9. *華融華僑* is 51%-owned by *華融致遠* and 40%-owned by *廣東錦峰*.
10. *華融致遠* is wholly owned by China Huarong Asset Management.
11. *廣東錦峰* is wholly owned by Hong Kong Kam Fung.
12. China Huarong Asset Management is 67.76%-owned by Ministy of Finance of People’s Republic of China.
13. Hong Kong Kam Fung is 99%-owned by Sun Siu Kit.
14. Farco Holdings Limited is wholly owned by Qi Wei.
15. CM SPC is wholly owned by CM Capital Management (Cayman) Limited.
16. CM Capital Management (Cayman) Limited is wholly owned by CM Asset Management Holdings Limited.
17. CM Asset Management Holdings Limited is wholly owned by China Minsheng Financial Holding Corporation Limited.
18. China Minsheng Financial Holding Corporation Limited is 49.84%-owned by CMI Financial Holding Company Limited.
19. CMI Financial Holding Company Limited is wholly owned by Minsheng (Shanghai) Assets Management Company Limited.
20. Minsheng (Shanghai) Assets Management Company Limited is wholly owned by China Minsheng Investment Corporation Limited.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) had registered an interest or a short position in the Shares, underlying shares or debentures of the Company which was required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which was required to be recorded in the register of the Company required to be kept under Section 336 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2018 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

The details of continuing connected transactions are set out in section headed "Continuing connected transactions" of the Management Discussion and Analysis.

ANNUAL REVIEW

The Directors (including the independent non-executive Directors) have reviewed the above continuing connected transactions and confirmed that these transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the Jingmen Tenancy Agreement, the Guangdong Lease Renewal Agreement, the HK Lease Renewal Agreement and the Zhejiang Lease Renewal Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

BDO Limited, the auditor of the Company, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. The auditor's letter confirms that, in respect of the above-mentioned continuing connected transactions:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

c. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions having exceeded the annual caps.

OTHER RELATED-PARTY TRANSACTIONS

Apart from the aforesaid continuing connected transactions, the related-party transactions set out in note 29(b) to the consolidated financial statements also include transactions which did not constitute continuing connected transactions under Chapter 14A of the Listing Rules. Details of other related-party transactions entered into by the Group during the year ended 31 December 2018, which did not constitute connected transactions under Chapter 14A of the Listing Rules are set out in note 29(b) to the consolidated financial statements.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was conditionally adopted by the written resolutions of the sole Shareholder of the Company passed on 14 December 2010, pursuant to which the Board may, at its absolute discretion and on such terms as it may think fit, grants options to any employee(s) (whether full time or part time including any Director) of any member of the Group at the exercise price for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The purpose of the Share Option Scheme is to enable the Board to grant options to selected employee(s) as incentives or rewards for their contribution or potential contribution to the Group.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 40,000,000 Shares which represents approximately 8.6% of the Shares in issue on the date of this report. The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company to any employee(s) (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the 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 the Board may determine but in any event shall not exceed 10 years from the date of grant. Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no minimum holding period before an option is exercisable.

An offer for the grant of options must be accepted within twenty- one days inclusive of the day on which such offer was made. The amount payable to our Company on acceptance of the offer for the grant of an option is HK$1.00.

The exercise price is to be determined by the Board provided always that it shall be at least the higher of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of the option, which must be a trading day; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant, provided that the exercise price shall in no event be less than the nominal amount of one Share.

During the year ended 31 December 2018, no share option was granted by the Company. As at 31 December 2018 and 2017, there is no outstanding share option.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2018, save for the share option scheme previously mentioned, the Company has not entered into the equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has maintained a sufficient public float of not less than 25% of the Company's issued share as required under the Listing Rules throughout the year ended 31 December 2018 and up to the date of this Annual Report.

AUDITOR

BDO Limited were first appointed as auditor of the Company in 2017 upon the resignation of KPMG with effect from 14 December 2017. The consolidated financial statements for the year ended 31 December 2018 has been audited by BDO Limited. BDO Limited will retire as auditor of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re- appointment of BDO Limited as auditor of the Company will be proposed at the annual general meeting.

By order of the Board
Wu David Hang
Chairman
Hong Kong, 28 March 2019

Independent Auditor's Report

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TO THE SHAREHOLDERS OF KEE HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of KEE Holdings Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 62 to 135, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Valuation of inventories

Refer to note 18 to the consolidated financial statements and the accounting policies on page 86.

The Key Audit Matter	How the matter was addressed in our audit
Inventories are carried at the lower of cost and net realisable value in the consolidated financial statements. The net carrying value of inventories at 31 December 2018 was approximately HK$24,549,000. The Group's inventories comprise zippers and other related products which are to be sold to original equipment manufacturers ("OEM") of clothing brands. The future saleability of inventories is subject to changing consumer preferences and fashion trends. Management judgement is required to assess the appropriate level of provisioning for items of inventories which may be ultimately destroyed or sold below cost as a result of a reduction in demand arising from unfavourable changes in consumer preferences. Consequently, there is a risk that the carrying value of inventories exceeds its net realisable value. We identified assessing the valuation of inventories as a key audit matter because of its significance to the consolidated financial statements and because of the significant management judgement involved in determining the level of any provisions required at the end of the reporting period.	Our audit procedures to assess the valuation of inventories included the following: • enquiring of management about the assumptions and bases adopted for assessing inventory provisions for finished goods, work-in-progress and raw materials and considering the consistency of the application of the Group's inventory provisioning policy and the rationale for writing off inventories; • recalculating the inventory provision with reference to the policies and parameters in the Group's inventory provisioning policy and considering the Group's inventory provisioning policy with reference to the requirements of the prevailing accounting standards; • assessing, on a sample basis, whether the selected items on the inventory ageing report were classified within the appropriate ageing bracket by comparing individual items with the dates on the respective production reports and goods receipt notes; • attending the year end inventory count, observing the relevant controls implemented by management and identifying slow-moving and damaged inventories through inspection and enquiry of the warehouse staff; • evaluating the inventory provisioning policy by comparing management's forecasts of the amounts of raw materials and finished goods which will not be consumed or sold with historical consumption rates for the past 12-month period; • comparing, on a sample basis, the carrying amounts of selected items on the inventory list as at the reporting date with selling prices achieved subsequent to the reporting date and related confirmed sale orders; and • considering the historical accuracy of provisions for inventories made by management at the end of the previous financial year by comparing the actual inventory loss during the current year with the provisions for inventories as at 31 December 2017 and assessing whether there were indications of management bias in making provisions for inventories.

Valuation of financial assets at fair value through profit or loss

Refer to note 17 to the consolidated financial statements and the accounting policies on page 79.

The Key Audit Matter	How the matter was addressed in our audit
The financial asset at fair value through profit or loss represents an unlisted investment fund (the "Fund") which is carried at fair value in the consolidated financial statements. As at 31 December 2018, the Fund was carried at fair value of approximately HK$102,183,000. The fair value of the Fund was determined based on its net asset value reported by the Fund's manager after any adjustment considered appropriate by the directors. The valuation of the Fund requires significant judgement in determining the appropriate valuation techniques and inputs to be used in estimating the Fund's fair value. A change in the valuation techniques and adjustments to net asset value considered necessary could have a significant impact on valuation. We identified assessing the valuation of the Fund as a key audit matter because of its significance to the consolidated financial statements and because of the significant judgement involved in determining the valuation at the end of the reporting period.	Our audit procedures to assess the valuation of Fund included the following: • evaluating the objectivity, independence and expertise of the external valuers who assist the directors to determine any appropriate adjustment is required to be made on the net asset value of the Fund; • assessing the valuation techniques used and the appropriateness of the adjustments (if any) applied on the valuation based on the nature of the Fund and its underlying investments; • obtaining confirmation from the Fund's manager in respect of the net asset value reported to the Company which is a starting point with the valuers assessing whether any adjustment to the net asset value is required; and • assessing the adequacy of the disclosures as required by applicable accounting standards made in the consolidated financial statements in respect of the valuation of the Fund.

Impairment loss on the sale consideration receivable

Refer to note 30(a) to the consolidated financial statements and the accounting policies from pages 81 to 83.

The Key Audit Matter	How the matter was addressed in our audit
Included in trade and other receivables as at 31 December 2018 is the remaining balance of the outstanding sale consideration of HK$45,000,000 receivable (the "Receivable") due on settlement in August 2018 from the purchaser (the "Purchaser") arising from the disposal of the Group's entire equity interest in and shareholder's loan made to a subsidiary (the "Former Subsidiary") in prior year, of which impairment loss of HK$45,000,000 was recognised as at 31 December 2018 (1 January 2018: Nil). The Group adopted Hong Kong Financial Reporting Standards 9 "Financial Instruments" ("HKFRS 9") as effective on 1 January 2018 and applied the standards with cumulative effect as of 1 January 2018. HKFRS 9 replaces the "incurred loss" model in Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and measurement" with an "expected credit loss" ("ECLs") model. Significant management judgements and estimates were required in determining whether the credit risk of the Receivable had increased significantly since the date of initial recognition, whether the Receivable had impaired and the amount of ECLs recognised with reference to both the qualitative and quantitative information that is reasonable and supportable, including historical and forward-looking information that is available without undue cost and effort as at the end of respective reporting periods. We identified assessing the impairment loss on the Receivable as a key audit matter because of its significance to the consolidated financial statements and because of the significant judgements and estimates involved in determining the impairment loss as at 1 January 2018 and as at the end of the reporting period.	Our audit procedures to assess the impairment loss on the Receivable included the following: • obtaining an understanding from management on their assessment as to whether there was a significant increase in credit risk on the Receivable since its initial recognition and whether the Receivable had impaired and management's process in determining the estimated cash flows from the Receivable; • evaluating management's assessment on the financial position of the Purchaser including the Former Subsidiary with reference to their business and financial background and information; • performing independent research of public available information that is relevant to the Purchaser, the Former Subsidiary and its customers which may indicate that the Purchaser has suffered or will suffer a significant deterioration in financial performance and financial position; • enquiring with management about the actions taken and to be taken by the Group to enforce the settlement of the Receivable; • reviewing the history of settlements received from the Purchaser in prior year, during the year ended 31 December 2018 and subsequent to 31 December 2018; and • inspecting the correspondences from the Group to the Purchaser in relation to enforcement of settlement of the Receivable.

Other information in the annual report

The directors are responsible for the other information. The other information comprises all the information included in the annual report, but does not include 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.

Directors' responsibilities for the consolidated financial statements

The directors 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 directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made 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.

Independent Auditor's Report

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.

- 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 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.

BDO Limited
Certified Public Accountants
Wong Chi Wai
Practising Certificate Number P04945

Hong Kong, 28 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Continuing operations			
Revenue	7	**197,532**	184,732
Cost of sales		**(133,613)**	(127,028)
Gross profit		**63,919**	57,704
Other revenue and gains/(losses), net	8	**18,770**	(10,592)
Distribution costs		**(15,417)**	(15,197)
Administrative expenses		**(50,639)**	(40,425)
(Impairment losses)/reversal of impairment losses on	30(a)		
— trade receivables and bills receivable		**(505)**	177
— other receivable		**(45,000)**	–
Loss before taxation	9	**(28,872)**	(8,333)
Income tax	10	**(1,074)**	(5,429)
Loss from continuing operations		**(29,946)**	(13,762)
Loss from discontinued operation	11	**–**	(31,808)
Loss for the year		**(29,946)**	(45,570)
Attributable to:			
Equity shareholders of the Company		**(33,177)**	(45,127)
Non-controlling interests		**3,231**	(443)
Loss for the year		**(29,946)**	(45,570)
Loss per share from continuing operations attributable to the equity shareholders of the Company (HK cents)	14		
Basic and diluted		**(7.1)**	(3.0)
Loss per share attributable to the equity shareholders of the Company (HK cents)	14		
Basic and diluted		**(7.1)**	(10.0)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Loss for the year		**(29,946)**	(45,570)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of the financial statements of subsidiaries in the Mainland China		**(19,023)**	28,450
— Fair value gain on available-for-sales investment	17	**–**	3,480
— Other comprehensive income arising from discontinued operation	11	**–**	3,064
		(19,023)	34,994
Total comprehensive income for the year		**(48,969)**	(10,576)
Attributable to:			
Equity shareholders of the Company		**(49,353)**	(13,630)
Non-controlling interests		**384**	3,054
Total comprehensive income for the year		**(48,969)**	(10,576)
Attributable to:			
Continuing operations		**(48,969)**	18,168
Discontinued operation		**–**	(28,744)
Total comprehensive income for the year		**(48,969)**	(10,576)

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**71,873**	57,805
Intangible assets	16	**1,562**	2,448
Available-for-sale investment	17	**–**	103,480
Prepayments for property, plant and equipment		**1,439**	292
Rental deposits		**5,041**	987
Deferred tax assets	20(c)	**3,482**	3,039
		83,397	168,051
Current assets			
Inventories	18	**24,549**	23,924
Financial asset at fair value through profit or loss	17	**102,183**	–
Trade and other receivables	19	**40,922**	92,615
Current tax recoverable	20(a)	**816**	–
Cash and cash equivalents	21	**78,587**	95,590
		247,057	212,129
Current liabilities			
Trade and other payables	22	**41,396**	40,366
Current tax payable	20(a)	**–**	1,787
		41,396	42,153
Net current assets		**205,661**	169,976
Total assets less current liabilities		**289,058**	338,027
Non-current liabilities			
Deferred tax liabilities	20(c)	**1,124**	1,124
Net assets		**287,934**	336,903

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	25	**4,648**	4,648
Reserves		**260,082**	309,435
Total equity attributable to the equity shareholders of the Company		**264,730**	314,083
Non-controlling interests		**23,204**	22,820
Total equity		**287,934**	336,903

On behalf of the Board

Wu David Hang
Director

Yau Chi Chiu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to the equity shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2017	4,348	151,800	18,324	22,361	(9,202)	–	110,892	298,523	19,766	318,289
Changes in equity for 2017										
Loss for the year	–	–	–	–	–	–	(45,127)	(45,127)	(443)	(45,570)
Other comprehensive income	–	–	–	–	28,017	3,480	–	31,497	3,497	34,994
Total comprehensive income	–	–	–	–	28,017	3,480	(45,127)	(13,630)	3,054	(10,576)
Appropriation to statutory reserve	–	–	–	561	–	–	(561)	–	–	–
Shares issued under a subscription agreement, net of expenses (note 25(c)(ii))	300	28,890	–	–	–	–	–	29,190	–	29,190
Balance at 31 December 2017	4,648	180,690	18,324	22,922	18,815	3,480	65,204	314,083	22,820	336,903
Balance at 1 January 2018	**4,648**	**180,690**	**18,324**	**22,922**	**18,815**	**3,480**	**65,204**	**314,083**	**22,820**	**336,903**
Effect of adoption of HKFRS 9 on 1 January 2018 (note 2(a)(i))	**-**	**-**	**-**	**-**	**-**	**(3,480)**	**3,480**	**-**	**-**	**-**
Balance at 1 January 2018 as restated	**4,648**	**180,690**	**18,324**	**22,922**	**18,815**	**-**	**68,684**	**314,083**	**22,820**	**336,903**
Changes in equity for 2018										
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(33,177)**	**(33,177)**	**3,231**	**(29,946)**
Other comprehensive income	**-**	**-**	**-**	**-**	**(16,176)**	**-**	**-**	**(16,176)**	**(2,847)**	**(19,023)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(16,176)**	**-**	**(33,177)**	**(49,353)**	**384**	**(48,969)**
Appropriation to statutory reserve	**-**	**-**	**-**	**2,532**	**-**	**-**	**(2,532)**	**-**	**-**	**-**
Balance at 31 December 2018	**4,648**	**180,690**	**18,324**	**25,454**	**2,639**	**-**	**32,975**	**264,730**	**23,204**	**287,934**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Loss before taxation			
Continuing operation		**(28,872)**	(8,333)
Discontinued operation	11	**–**	(31,775)
Loss before income tax including discontinued operation		**(28,872)**	(40,108)
Adjustments for:			
Depreciation and amortisation	9(b)	**9,000**	10,409
Impairment losses on property, plant and equipment	9(b)	**196**	1,867
Impairment losses/(reversal of impairment losses) on			
— trade receivables and bills receivable	30(a)	**505**	(177)
— other receivable	30(a)	**45,000**	–
Fair value change on financial asset at fair value through profit or loss	17	**1,297**	–
(Written back)/impairment losses on inventories	18	**(250)**	1,342
Dividend income	8	**(9,300)**	–
Interest income	8	**(1,627)**	(1,612)
Loss on disposal of property, plant and equipment	8	**209**	1,378
Gain on disposal of a subsidiary	11	**–**	(1,520)
Net foreign exchange (gains)/losses	8	**(8,989)**	11,371
Expense incurred for the professional fees related to investing activities		**–**	1,005
Operating profit/(loss) before working capital		**7,169**	(16,045)
Increase in inventories		**(153)**	(6,079)
Decrease/(increase) in trade and other receivables		**6,276**	(88,930)
Increase in rental deposits		**(4,054)**	(987)
Decrease in trade and other payables		**1,031**	135,896
Cash generated from operations		**10,269**	23,855
Income tax paid	20(a)& (b)	**(4,022)**	(5,858)
Net cash generated from operating activities		**6,247**	17,997

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Investing activities			
Payment for the purchase of property, plant and equipment		**(29,568)**	(9,049)
Proceeds from sale of property, plant and equipment		**1,559**	1,967
Proceeds from disposal of asset held for sales		**–**	602
Dividend income received		**9,300**	–
Interest received		**1,627**	1,612
Payment for available-for-sale investment		**–**	(100,000)
Proceeds from disposal of a subsidiary, net of cash	11(vi)	**–**	(46,180)
Payment for the professional fees related to investing activities		**–**	(1,005)
Net cash used in investing activities		**(17,082)**	(152,053)
Financing activities			
Proceeds from issue of shares, net of expenses of HK$810,000	25	**–**	29,190
Net cash generated from financing activities		**–**	29,190
Net decrease in cash and cash equivalents		**(10,835)**	(104,866)
Cash and cash equivalents at 1 January		**95,590**	186,496
Effect of foreign exchange rate changes		**(6,168)**	13,960
Cash and cash equivalents at 31 December	21	**78,587**	95,590

Notes to the Financial Statements

31 December 2018

1. GENERAL

KEE Holdings Company Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report. The Company and its subsidiaries (together referred to as "the Group") continued to operate the zipper business during the year ended 31 December 2018.

During the year ended 31 December 2017, the Group disposed of the entire equity interest of Neo Ocean Ventures Limited, a wholly owned subsidiary of the Group and the parent company of all subsidiaries (the "Neo Ocean Group") in real estate agency service business segment which were presented as discontinued operation following the completion of disposal of the Neo Ocean Group in the consolidated financial statements.

As at 31 December 2017 and 2018, the Company's immediate holding company is Glory Emperor Trading Limited, a company incorporated in the British Virgin Islands. The directors of the Company considered the Company's ultimate holding company as at 31 December 2018 was Zhonghong Holding Co. Ltd ("Zhonghong"), a company established in the People's Republic of China and its ultimate controlling party is Mr Wang Yonghong.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2018

During the year, the Group has adopted a number of new/revised HKFRSs that are relevant to its operations and effective for the current accounting period.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

The impacts of adoption of the above new/revised HKFRSs on the consolidated financial statements are set out below.

HKFRS 9 — Financial Instruments ("HKFRS 9")

HKFRS 9 replaced the standard on accounting for financial instruments, Hong Kong Accounting Standard 39 "Financial instruments: Recognition and measurement" (HKAS 39). HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes in the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

(i) Classification and measurement of financial instruments

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). This superseded HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion").

Financial assets measured at amortised cost
The Group's financial assets are classified and measured at amortised cost as they meet both of the following conditions and they have not been designated as at FVPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The Group has assessed that all its financial assets previously classified as loan and receivables (comprising trade and other receivables, cash and cash equivalents and rental deposits) are classified as financial assets measured at amortised cost with no change in their measurement upon the adoption of HKFRS 9.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

Financial asset measured at FVPL

The Group's investment in an investment fund previously classified as available-for-sale investment under HKAS 39 as at 31 December 2017 is reclassified as debt investment at FVPL as its contractual cash flow characteristics do not meet the SPPI criterion and it does not meet the classification of equity instrument. As a result, the investment of HK$103,480,000 was reclassified from available-for-sale investment to financial asset at FVPL and the corresponding accumulated fair value gain of HK$3,480,000 was reclassified from investment revaluation reserve to retained profits on 1 January 2018 as shown in the table below. The fair value loss on the financial asset at FVPL amounting to HK$1,297,000 for the year ended 31 December 2018 was recognised in profit or loss instead of other comprehensive income as previously accounted for.

	Carrying amount at 31 December 2017 HK$'000	Reclassification HK$'000	Carrying amount at 1 January 2018 HK$'000
Assets			
Financial asset measured at FVPL under HKFRS 9 — Investment fund (note 17)	–	103,480	103,480
Financial asset classified as available-for-sale investment under HKAS 39 — Investment fund (note 17)	103,480	(103,480)	–
Equity			
Retained profits	65,204	3,480	68,684
Investment revaluation reserve	3,480	(3,480)	–

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit losses" ("ECLs") model. Under the ECLs model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month ECLs or a lifetime ECLs, depending on the asset and the facts and circumstances.

The Group has applied the ECLs model to the financial assets measured at amortised cost comprising trade and other receivables, rental deposits and other debtors, and cash and cash equivalents.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The Group's accounting policy for impairment of financial assets are disclosed in note 4(f)(ii).

Trade debtors and bills receivable

The Group has elected to measure loss allowances for trade debtors and bills receivable using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

There was no material impact on the loss allowance as at 1 January 2018 which was determined in accordance with HKFRS 9 and accordingly, no opening adjustment was made as at 1 January 2018. The loss allowances further increased by HK$505,000 for trade debtors and bills receivable during the year ended 31 December 2018. The details on the calculation of the loss allowance is disclosed in note 30(a).

Other financial assets at amortised cost

Other financial assets at amortised cost of the Group comprise cash and cash equivalents, rental deposits, other debtors and the sale consideration receivable from the purchaser arising from disposal of the Group's subsidiary in prior year. Applying ECLs model, the ECLs as at 1 January 2018 were immaterial and therefore no opening adjustment at 1 January 2018 has been recognised. The loss allowance increased by HK$45,000,000 for the sale consideration receivable during the year ended 31 December 2018. The details on the loss allowance is disclosed in note 30(a).

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(iii) *Transition*

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments (if any) arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held; and

- The designation of previous designation of a financial asset as measured at FVPL.

If an investment in a debt investment had low credit risk at the date of initial adoption of HKFRS 9, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 and its amendments supersede HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method and has applied the new requirements only to contracts that were not completed before 1 January 2018 as permitted by HKFRS 15. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at as 1 January 2018, if any. As a result, the financial information presented for 2017 has not been restated.

Regarding timing of revenue recognition, previously, revenue arising from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from manufacturing and trading of finished zipper.

HKFRS 15 includes specific guidance on particular revenue related topics and also significantly enhances the qualitative and quantitative disclosures related to revenue. The application of HKFRS 15 has resulted in more disclosures. However, there was no material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarification to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and has taken up the clarifications in its first year of adoption of HKFRS 15.

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

(b) New/revised HKFRSs that have been issued but are not yet effective

Up to the date of issue of these financial statements, the Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2018 and which have not been early adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, Lease	1 January 2019
Amendments to HKAS 1 and HKAS 8, Definition of Material	1 January 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 16, Leases

As disclosed in note 4(e), currently the Group classifies leases into operating leases, and account for the lease arrangements, according to the nature of the lease. The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease. As disclosed in note 28, as at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$40,718,000, the majority of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives.

Amendments to HKAS 1 and HKAS 8, Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except that the investment in an investment fund classified as financial asset at fair value through profit or loss (2017: available-for-sale investment) is stated at fair value as explained in the accounting policies set out below.

(c) Functional currency

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, and no gain or loss is recognised in profit or loss.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset, or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and the borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold improvement is depreciated over the shorter of the unexpired term of lease and their estimated useful lives of 3 to 10 years.

— Machinery	10 years
— Vehicles and other equipment	4–5 years

Construction in progress ("CIP") represents property, plant and equipment under construction and pending installation, and is stated at cost less any impairment losses.

Cost comprises direct costs of construction during the construction period. Capitalisation of these costs ceases and the CIP is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

(d) Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Computer software is amortised from the date it is available for use and its estimated useful life is 5 to 10 years.

Both the period and method of amortisation are reviewed annually.

(e) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

(i) Financial assets

Accounting policies applied from 1 January 2018

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not measured at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group's debt instruments are classified as two measurement categories:

Amortised cost:

Financial assets including trade and other receivables and cash and cash equivalents 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. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through profit or loss ("FVPL"):

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(i) Financial assets (Continued)

Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Loans and receivables:

The Company's financial assets are loans and receivables including trade and other receivables and cash and cash equivalents. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Trade and other receivables arise principally through the provision of goods to customers (trade debtors), and also incorporate other types of contractual monetary assets. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest methods, less any identified impairment losses.

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Available-for-sale investments:

Available-for-sale investments are non-derivative financial assets which are neither classified as held for trading nor designated as at fair value through profit or loss. The financial assets are presented as non-current assets unless they mature, management intends to dispose of them within 12 months from the end of the reporting period.

At initial recognition, a financial asset is measured at its fair value plus transactions costs that are directly attributable to acquisition of the assets. After initial recognition, it is subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the Investment revaluation reserve until the asset is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other gains or losses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to the statement of profit or loss in other gains or losses.

Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other revenue.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets

Accounting policies applied from 1 January 2018

The Group recognises loss allowances for ECLs on trade receivables and other financial assets measured at amortised cost (including other receivables and rental deposits). The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and bills receivable using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of an other debt financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group takes into account the following information when assessing whether credit risk has increased significantly since initial recognition and assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due irrespective of the outcome of the above assessment.

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Accounting policies applied from 1 January 2018 (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash low obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial assets' credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial assets measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Accounting policies applied from 1 January 2018 (Continued)

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Accounting policies applied until 31 December 2017

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For current and non-current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Accounting policies applied until 31 December 2017 (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iii) Financial liabilities

Accounting policies applied from 1 January 2018 and applied until 31 December 2017

Financial liabilities at amortised cost including trade and other payables. They are initial measured at fair value, net of directly attributable transaction cost incurred. Subsequently, they are measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

Accounting policies applied from 1 January 2018 and applied until 31 December 2017

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

Accounting policies applied from 1 January 2018 and applied until 31 December 2017

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9/HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets; and

— investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(i) Inventories and other contract costs

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Other contract costs are the incremental costs of obtaining a contract with a customer. Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Group has applied the practical expedient to recognise these incremental costs as expenses when incurred as the amortisation period of these assets that the Group would otherwise have recognised is one year or less.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the People's Republic of China (the "PRC") are recognised as an expense in profit or loss as incurred.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

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

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.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (Continued)

(i) Sale of zippers and related products

Revenue from sales of zippers and related products is recognised when the customers have obtained control of the goods, being when the goods are delivered to the respective customers' specific locations and have been accepted by the customers, and the corresponding trade or bills receivable are recognised as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. There is generally only one performance obligation. Invoices are usually payable within 30 to 90 days. For certain customers such as new customers, deposits paid in advance are required before goods are delivered.

In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and is after deduction of any trade discounts.

The Group's contracts with customers from the sale of zippers and related products generally do not provide customers a right of return (a right to exchange another product or right to refund in cash). In addition, return of defective products seldom occurs as goods sold to customers generally meet the objective specifications required by customers. Any necessary costs incurred in replacement or rectification of defective goods sold are insignificant to the consolidated financial statements.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Unconditional discretionary government grants from the local municipal government authorities are recognised in the profit or loss as other income when the amount is received.

(iv) Rendering of services

Commission income of rendering services in relation to the Group's discontinued operation during the year ended 31 December 2017 is recognised when the related services are rendered and the relevant formal property selling agreements are duly reached.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Translation of foreign currencies

For the purpose of presenting these financial statements, the Group adopted HK$ as its presentation currency. The functional currencies of the Company, KEE International (BVI) Limited, and KEE Zippers Corporation Limited ("KEE Zippers") are HK$ and the functional currencies of the subsidiaries established in the PRC are Renminbi ("RMB").

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non- monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into HK$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in note. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment

(i) Non-financial long-term assets

The Group reviews the carrying amounts of these assets at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and value in use and provide for impairment loss. Any change in the assumption adopted in the cash flow forecasts would increase or decrease the provision of impairment loss for the year and affect the Group's net asset value.

(ii) Receivables

The assessment of impairment losses on financial assets measured at amortised cost is performed based on expected credit losses model commencing from 1 January 2018 (incurred loss model until 31 December 2017) as detailed in the accounting policies and note 4(f)(ii). The Group uses judgements and estimates, and makes assumptions and selects inputs as considered appropriate in performing the impairment assessment. Any change in the estimates, assumptions and inputs adopted in the assessment would increase or decrease the impairment losses for the year and affect the Group's net asset value.

(b) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's experience with similar assets and taking into account upgrading and improvement work performed for anticipated technological changes, and legal or similar limits on the use of assets. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Inventories

The Group estimates the write-down for obsolescence of inventories based on the current market condition and the experience in selling goods of similar nature. It could change significantly as a result of change in market condition.

(d) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for unused tax losses and deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(e) Fair value of an investment fund

The fair value of the Fund as detailed in note 17 that is not quoted in an active market is primarily valued based on the net asset value ("Reported NAV") reported by the manager of the Fund unless the directors are aware of reasons that the Reported NAV may not be the best approximation of fair value. The Reported NAV is considered as the key unobservable input in valuation of the Fund. The directors of the Company evaluates whether adjustments are required to be made on the Reported NAV after considering the following:

(i) the valuation of the Fund's underlying investments;

(ii) the value date of the Reported NAV; and

(iii) The valuation performed by independent valuers appointed by the Company which assist the directors to evaluate as to whether adjustments are required to be made on the Reported NAV.

The carrying amount of the Fund may be significantly different from the amount ultimately realised on redemption or maturity.

6. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography.

Accordingly, the Group has presented the following two reportable segments in a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment.

- Zippers (Mainland China):

  This segment manufactures zippers products and mainly sells to customers in Mainland China. Its activities are mainly carried out in Guangdong province and Zhejiang province.

- Zippers (Overseas):

  This segment purchases zipper products from segment of Mainland China and sells to overseas customers. Its activities are mainly carried out in Hong Kong.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order.

During the year ended 31 December 2017, the Group had decided to cease the real estate agency services and completed the disposal of this business on 24 August 2017. The financial information of this operating segment for the year ended 31 December 2017 is presented as discontinued operation as set out in note 11.

(a) Disaggregation of revenue from contracts with customers for sales of zippers and related products

The Group derives revenue from the transfer of goods sold at a point in time in the following geographical regions as follows:

	2018 **HK$'000**	2017 HK$'000
Mainland China	**181,703**	160,538
Overseas	**15,829**	24,194
	197,532	184,732

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

6. SEGMENT REPORTING (CONTINUED)

(b) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets and deferred tax assets. Segment liabilities include trade and other payables managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit or loss is "adjusted profit before taxation" i.e. "revenue less cost of sales, distribution costs and administrative expenses". Items not specifically attributed to individual segment are excluded from the calculation of segment profit or loss. The Group's senior executive management is provided with segment information concerning segment revenue, profit or loss and assets. Segment liabilities are not reported to the Group's senior executive management regularly.

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 respectively is set out below:

	Zippers – Mainland China HK$'000	Zippers – Overseas HK$'000	Total HK$'000
Year ended 31 December 2018			
Revenue from external customers	**181,703**	**15,829**	**197,532**
Inter-segment revenue	**9,539**	**945**	**10,484**
Reportable segment revenue	**191,242**	**16,774**	**208,016**
Reportable segment profit/(loss)	**15,463**	**(3,160)**	**12,303**
Depreciation and amortisation for the year	**8,651**	**349**	**9,000**
Impairment loss on property, plant and equipment	**196**	**–**	**196**
Reportable segment assets at year end	**193,237**	**14,336**	**207,573**
Additions to non-current segment assets during the year	**28,421**	**–**	**28,421**
Reportable segment liabilities at year end	**33,973**	**4,196**	**38,169**

6. SEGMENT REPORTING (CONTINUED)

(b) Segment results, assets and liabilities (Continued)

	Zippers – Mainland China HK$'000	Zippers – Overseas HK$'000	Total HK$'000
Year ended 31 December 2017			
Revenue from external customers	160,538	24,194	184,732
Inter-segment revenue	43,390	788	44,178
Reportable segment revenue	203,928	24,982	228,910
Reportable segment profit/(loss)	20,080	(5,445)	14,635
Depreciation and amortisation for the year	10,188	199	10,387
Impairment loss on property, plant and equipment	1,867	–	1,867
Reportable segment assets at year end	185,115	30,158	215,273
Additions to non-current segment assets during the year	10,163	910	11,073
Reportable segment liabilities at year end	35,363	3,563	38,926

6. SEGMENT REPORTING (CONTINUED)

(c) Reconciliations of reportable segment revenue, profit or loss and assets

	2018 HK$'000	2017 HK$'000
Revenue		
Reportable segment revenue	**208,016**	228,910
Elimination of inter-segment revenue	**(10,484)**	(44,178)
Consolidated revenue (note 7)	**197,532**	184,732
Profit/(loss)		
Reportable segment profit	**12,303**	14,635
Elimination of unrealised profit or loss of inter-segment purchase of inventories, other assets and property, plant and equipment	**(79)**	612
Reportable segment profit derived from the Group's external customers	**12,224**	15,247
Other revenue and gains/(losses), net	**18,770**	(10,592)
Impairment loss on property, plant and equipment	**(196)**	(1,867)
Unallocated head office and corporate expenses (note)	**(14,670)**	(11,121)
Impairment loss on other receivable	**(45,000)**	–
Consolidated loss before taxation	**(28,872)**	(8,333)

Note:

Unallocated head office and corporate expenses mainly represented head office rental expense, auditors' remuneration, staff cost of head office and legal and professional fees.

Notes to the Financial Statements

31 December 2018

6. SEGMENT REPORTING (CONTINUED)

(c) Reconciliations of reportable segment revenue, profit or loss and assets (Continued)

	2018 HK$'000	2017 HK$'000
Assets		
Reportable segment assets	**207,573**	215,273
Elimination of unrealised profit of inter-segment purchase of inventories	**(1,651)**	(1,261)
Elimination of unrealised profit of inter-segment purchase of property, plant and equipment	**(295)**	(606)
	205,627	213,406
Current tax recoverable	**816**	–
Deferred tax assets	**3,482**	3,039
Financial asset at fair value through profit or loss/available-for-sale investment	**102,183**	103,480
Unallocated head office and corporate assets	**3,012**	421
Cash and cash equivalents	**15,334**	9,834
Sale consideration receivable arising from disposal of a subsidiary (note 19(ii))	**–**	50,000
Consolidated total assets	**330,454**	380,180
Liabilities		
Reportable segment liabilities	**38,169**	38,926
Current tax liabilities	**–**	1,787
Deferred tax liabilities	**1,124**	1,124
Unallocated head office and corporate liabilities	**3,227**	1,440
Consolidated total liabilities	**42,520**	43,277

6. SEGMENT REPORTING (CONTINUED)

(d) Geographic information

The geographical location of customers is based on the location at which the goods were delivered. The revenue of the Group mainly derived from sales to customers in Mainland China except for sales of HK$15,829,000 (2017: HK$24,194,000) to overseas customers for the year ended 31 December 2018.

The Group's non-current assets excluding financial assets (i.e. available-for-sale investment and rental deposits) and deferred tax assets (the "Specified Non-current Assets") comprise property, plant and equipment, intangible assets, prepayment for property, plant and equipment. The geographical location of property, plant and equipment and prepayment for property, plant and equipment is based on the physical location of the assets. In the case of intangible assets, it is based on the location of the operation to which they are allocated. As at 31 December 2018, the Group's Specified Non-current Assets were located in Mainland China and Hong Kong with carrying amounts of HK$73,635,000 (2017: HK$59,944,000) and HK$1,239,000 (2017: HK$1,588,000) respectively.

7. REVENUE

The principal activities of the Group are manufacture and sale of zippers and other related products. In last year, the Group has ceased the rendering of property agency services which is reclassified as "discontinued operation", the details of which are set out in note 11.

The amount of each significant category of revenue is as follows:

	2018 **HK$'000**	2017 HK$'000
Sales of goods		
Finished zippers and sliders	**192,977**	180,090
Others	**4,555**	4,642
	197,532	184,732

No individual customer had transactions exceeding 10% of the Group's revenue.

The above revenue is recognised at a point in time when the control of goods has been passed to customers.

7. REVENUE (CONTINUED)

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	31 December 2018 HK$'000	1 January 2018 HK$'000
Trade debtors and bills receivables (note 19)	**39,575**	41,358
Contract liabilities (note 22)	**772**	575

The contract liabilities represent advanced considerations received from customers before goods sold to customers. The contract liabilities of HK$575,000 as of 1 January 2018 previously presented as advances from third parties as at 31 December 2017 have been reclassified as contract liabilities under terminology of HKFRS 15. The movements of the contract liabilities are set out below.

	2018 HK$'000
Movements in contract liabilities	
Balance as at 1 January	**575**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(412)**
Increase in contract liabilities as a result of receipts in advance from customers during the year	**618**
Exchange adjustments	**(9)**
Balance at 31 December	**772**

Contract liabilities are expected to be recognised as revenue within one year from date of inception of respective contracts.

8. OTHER REVENUE AND GAINS/(LOSSES), NET

	2018 HK$'000	2017 HK$'000
Revenue from other sources		
Interest income	**1,627**	1,439
Government grants	**260**	547
	1,887	1,986
Other gains/(losses), nets		
Fair value loss on financial asset at fair value through profit or loss	**(1,297)**	–
Net foreign exchange gains/(losses)	**8,989**	(11,371)
Loss on disposal of property, plant and equipment	**(209)**	(1,378)
Dividend income from an investment fund	**9,300**	–
Others	**100**	171
	16,883	(12,578)
	18,770	(10,592)

9. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Staff costs*

	2018 HK$'000	2017 HK$'000
Salaries, wages and other benefits	**69,276**	52,471
Contributions to defined contribution retirement plans	**8,638**	6,700
	77,914	59,171

9. LOSS BEFORE TAXATION (CONTINUED)

(b) Other items

	2018 **HK$'000**	2017 HK$'000
Depreciation and amortisation*		
property, plant and equipment (note 15)	**8,193**	9,628
intangible assets (note 16)	**807**	781
	9,000	10,409
Auditors' remuneration		
audit services	**1,100**	1,100
other services	**159**	–
	1,259	1,100
Impairment losses/(reversal of impairment losses) on		
trade and bills receivable (note 30(a))	**505**	(177)
Impairment loss on other receivable (note 30(a))	**45,000**	–
	45,505	(177)
Impairment losses on property, plant and equipment (note 15)	**196**	1,867
Operating lease charges: minimum lease payments		
hire of plant and machinery*	**10,225**	7,917
hire of other assets (including property rentals)	**2,026**	1,279
	12,251	9,196
Research and development expenses	**7,501**	3,769
Cost of inventories* (note 18)	**133,613**	127,028

* *Cost of inventories includes HK$61,969,000 (2017: HK$53,569,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above or in note 9(a) for each of these types of expenses.*

10. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2018 **HK$'000**	2017 HK$'000
Current tax — PRC corporate income tax		
Provision for the year	**3,194**	3,701
Over-provision in respect of prior years	**(2,182)**	–
	1,012	3,701
Current tax — Hong Kong Profits Tax and others		
Over-provision in respect of prior years	**–**	(117)
Deferred tax		
Origination and reversal of temporary differences	**62**	1,878
	1,074	5,462
Income tax expense is attributable to:		
continuing operations	**1,074**	5,429
discontinued operation	**–**	33
	1,074	5,462

10. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2018 HK$'000	2017 HK$'000
Loss from continuing operations before taxation	**(28,872)**	(8,333)
Loss from discontinued operation before taxation (note 11(i))	**–**	(31,775)
	(28,872)	(40,108)
Notional tax credit on loss before taxation calculated at the rates applicable to profits in the respective jurisdictions	**(2,556)**	(8,602)
Effect of non-deductible expenses	**9,735**	4,424
Effect of non-taxable income	**(2,224)**	(122)
Effect of tax losses not recognised	**495**	9,059
Effect of tax concessions	**(2,284)**	(795)
Withholding tax on undistributed profits (note 20(b))	**371**	1,756
Over-provision in prior years	**(2,182)**	(117)
Others	**(281)**	(141)
	1,074	5,462

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands or the BVI.

KEE Zippers Corporation Limited ("KEE Zippers") is subject to Hong Kong Profits Tax at 16.5% in 2018 and 2017.

(ii) KEE (Guangdong) Garment Accessories Limited ("KEE Guangdong") was recognised as a High and New Technology Enterprise and is entitled to a preferential income tax rate of 15% up to 2018. Except for KEE Guangdong, the statutory income tax rate applicable to the Company's other subsidiaries in Mainland China is 25%.

(iii) Pursuant to the Corporate Income Tax Law of the PRC and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 31 December 2018, deferred tax liability recognised in this regard was HK$1,124,000 (2017: HK$1,124,000) (see note 20(b)).

11. DISCONTINUED OPERATION

On 24 August 2017, the Company completed the disposal of its 100% equity interest in and shareholder's loan made to Neo Ocean Group, which were engaged in real estate agency business in the PRC, to an independent third party for a cash consideration of HK$100,000,000. This disposal resulted in a net gain of HK$1,520,000 before transaction cost. The Group had decided to cease its real estate agency business because Neo Ocean Group's financial performance was not satisfactory since it had commenced the business in 2016. The scale of the property agency services was fundamentally hindered after the government of the PRC has imposed home purchase restrictions on the residential real estate market in various cities in the PRC. Following the decision and completion of disposal of Neo Ocean Group, the related income and expenses are classified as a discontinued operation and is no longer included in operating segment information.

(i) The financial performance for the period from 1 January 2017 to 24 August 2017 (date of disposal) is presented as follows:

	1 January 2017 to 24 August 2017 HK$'000
Revenue	99,796
Expenses	(132,086)
Loss before income tax of discontinued operation	(32,290)
Income tax expense	(33)
Loss after income tax of discontinued operation	(32,323)
Gain on disposal of Neo Ocean Group after income tax and transaction costs of HK$1,005,000	515
Loss from discontinued operation	(31,808)
Other compressive income	
Exchange differences on translation of discontinued operation	3,064
Total comprehensive income from discontinued operation	(28,744)

	2017 HK$
Loss per share (HK cents)	
Basic and diluted, from the discontinued operation	(7.1)

11. DISCONTINUED OPERATION (CONTINUED)

(ii) The calculations of basic and diluted loss per share from the discontinued operation are based on:

	2017 HK$'000
Loss attributable to the equity shareholders of the Company from discontinued operation	(31,808)

	2017 '000
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation and diluted loss per share calculation	450,009

(iii) Net cash flows for the period from 1 January 2017 to 24 August 2017 (date of disposal) were as follows:

	1 January 2017 to 24 August 2017 HK$'000
Net cash inflow from operating activities	20,500
Net cash outflow from investing activities	(407)
Net cash outflow from financing activities	(9,450)
Net increase in cash	10,643

(iv) Details of disposal

	2017 HK$'000
Total cash consideration	100,000
Carrying amount of the net liabilities sold	43,275
Shareholder's loan from the Group disposed of	(138,691)
Reclassification of exchange reserve upon disposal	(3,064)
Gain on disposal after income tax	1,520
Transaction costs incurred for the disposal transaction	(1,005)
Net gain on disposal after income tax and transaction costs	515

11. DISCONTINUED OPERATION (CONTINUED)

(v) The carrying amounts of assets and liabilities as at the date of disposal of 24 August 2017 are as follows:

	24 August 2017 HK$'000
Property, plant and equipment	397
Trade and other receivables	181,701
Cash and bank balances	96,180
Total assets	278,278
Trade and other payables	(182,862)
Loan from the Group	(138,691)
Total liabilities	(321,553)
Net liabilities attributable to the equity shareholders of the Company	(43,275)

(vi) Net outflow of cash and cash equivalents in respect of the disposal

	2017 HK$'000
Total cash consideration	100,000
Less: Consideration receivable (note 19(ii))	(50,000)
Cash and bank balances of subsidiary disposed of	(96,180)
Net outflow of cash and cash equivalents in respect of disposal of a subsidiary	(46,180)

12. DIRECTORS' EMOLUMENTS

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
For the year ended 31 December 2018				
Chairman				
Wu David Hang	**–**	**1,560**	**78**	**1,638**
Executive directors				
Yau Chi Chiu (Appointed on 12 April 2018)	**561**	**859**	**61**	**1,481**
Feng Xiaoying (Resigned on 9 February 2018)	**–**	**–**	**–**	**–**
Independent non-executive directors				
Leung Ka Tin	**144**	**–**	**–**	**144**
Yau Pak Yue	**144**	**–**	**–**	**144**
Lu Nim Joel	**144**	**–**	**–**	**144**
	993	**2,419**	**139**	**3,551**
For the year ended 31 December 2017				
Chairman				
Wu David Hang	–	936	43	979
Executive directors				
Hou Jian (Resigned on 17 July 2017)	–	–	–	–
Feng Xiaoying (Appointed on 17 July 2017 and resigned on 9 February 2018)	–	–	–	–
Independent non-executive directors				
Leung Ka Tin	138	–	–	138
Tse Calvin Kai Chuen (Resigned on 4 August 2017)	89	–	–	89
Wong Yik Chung, John (Resigned on 28 July 2017)	91	–	–	91
Yau Pak Yue (Appointed on 28 July 2017)	62	–	–	62
Lu Nim Joel (Appointed on 4 August 2017)	71	–	–	71
	451	936	43	1,430

There were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 13 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any emoluments.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2017: one) are directors. The aggregate of the emoluments in respect of the other three (2017: four) individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other emoluments	**2,880**	3,151
Discretionary bonuses	**2,486**	2,915
Retirement scheme contributions	**54**	126
	5,420	6,192

The emoluments of the three (2017: four) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2018	2017
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**2**	2
	3	4

14. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share and basic loss per share from continuing operations are based on:

Loss attributable to the equity shareholders of the Company of HK$33,177,000 (2017: HK$45,127,000) is calculated as follows:

	2018 HK$'000	2017 HK$'000
Loss attributable to the equity shareholders of the Company		
From continuing operations	**(33,177)**	(13,319)
From discontinued operation (note 11(i))	**–**	(31,808)
	(33,177)	(45,127)

14. LOSS PER SHARE (CONTINUED)

(a) Basic loss per share (Continued)

Weighted average number of 464,804,000 ordinary shares (2017: 450,009,000 ordinary shares) in issue during the year is calculated as follows:

	2018	2017
	’000	’000
Issued ordinary shares at 1 January	**464,804**	434,804
Placement of new shares under a subscription agreement	**–**	15,205
Weighted average number of ordinary shares at 31 December	**464,804**	450,009

(b) Diluted loss per share

The diluted loss per share and diluted loss per share from continuing operations are equal to the basic loss per share and basic loss per share from continuing operations respectively as there were no potential dilutive shares in issue during both years ended 31 December 2017 and 2018.

15. PROPERTY, PLANT AND EQUIPMENT

	Machinery HK$'000	Vehicles and other equipment HK$'000	Leasehold improvement HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:					
At 1 January 2017	104,159	11,051	11,607	5,936	132,753
Exchange adjustments	6,720	207	1,647	341	8,915
Additions	134	1,706	–	9,646	11,486
Disposals	(4,840)	(861)	(127)	(1,771)	(7,599)
Disposals of subsidiaries (note 11(v))	–	(419)	–	–	(419)
Reclassification	10,413	20	–	(10,433)	–
At 31 December 2017 and 1 January 2018	**116,586**	**11,704**	**13,127**	**3,719**	**145,136**
Exchange adjustments	**(6,647)**	**(583)**	**(802)**	**(1,195)**	**(9,227)**
Additions	**981**	**709**	**1,154**	**25,554**	**28,398**
Disposals	**(8,275)**	**(320)**	**(50)**	**(129)**	**(8,774)**
Reclassification	**4,608**	**99**	**–**	**(4,707)**	**–**
At 31 December 2018	**107,253**	**11,609**	**13,429**	**23,242**	**155,533**
Accumulated depreciation and impairment:					
At 1 January 2017	56,657	8,673	10,100	–	75,430
Exchange adjustments	3,214	182	1,286	–	4,682
Charge for the year	8,202	764	662	–	9,628
Impairment loss (note)	1,867	–	–	–	1,867
Written back on disposals	(3,302)	(825)	(127)	–	(4,254)
Disposal of subsidiaries (note 11(v))	–	(22)	–	–	(22)
At 31 December 2017 and 1 January 2018	**66,638**	**8,772**	**11,921**	**–**	**87,331**
Exchange adjustments	**(3,855)**	**(493)**	**(708)**	**–**	**(5,056)**
Charge for the year	**6,747**	**767**	**679**	**–**	**8,193**
Impairment loss (note)	**196**	**–**	**–**	**–**	**196**
Written back on disposals	**(6,737)**	**(217)**	**(50)**	**–**	**(7,004)**
At 31 December 2018	**62,989**	**8,829**	**11,842**	**–**	**83,660**
Carrying amount:					
At 31 December 2018	**44,264**	**2,780**	**1,587**	**23,242**	**71,873**
At 31 December 2017	49,948	2,932	1,206	3,719	57,805

Note:

Certain idle or defective machinery were considered by management to be impaired with insignificant recoverable amount. Therefore, an impairment loss of HK$196,000 (2017: HK$1,867,000) had been recognised in profit or loss (note 9(b)) during the year ended 31 December 2018.

16. INTANGIBLE ASSETS

	Software HK$'000
Cost	
At 1 January 2017	7,837
Exchange adjustments	550
At 31 December 2017 and 1 January 2018	**8,387**
Additions	**23**
Exchange adjustments	**(483)**
At 31 December 2018	**7,927**
Accumulated amortisation:	
At 1 January 2017	4,790
Exchange adjustments	368
Amortisation for the year	781
At 31 December 2017 and 1 January 2018	**5,939**
Exchange adjustments	**(381)**
Amortisation for the year	**807**
At 31 December 2018	**6,365**
Carrying amount	
At 31 December 2018	**1,562**
At 31 December 2017	2,448

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss.

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS/ AVAILABLE-FOR-SALE INVESTMENT

	2018 **HK$'000**	2017 HK$'000
Unlisted investment fund, at fair value		
Non-current asset		
Available-for-sale investment	**–**	103,480
Current asset		
Financial asset at fair value through profit or loss	**102,183**	–
	102,183	103,480

Movement of fair value change:

	HK$'000
Subscription of the investment fund during the year ended 31 December 2017	100,000
Fair value gains recognised in other comprehensive income	3,480
As at 31 December 2017 and 1 January 2018	103,480
Fair value losses recognised in profit or loss (note 8)	(1,297)
As at 31 December 2018	**102,183**

Pursuant to the two subscription agreements dated 17 July 2017 and 21 August 2017 entered into between the Company and Fullgoal China Access RQFII Fund SPC ("Fullgoal SPC"), a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability, the Company has subscribed for 10,000 non-voting, participating and redeemable Class G shares in Fullgoal Strategic Growth Fund Segregated Portfolio (the "Fund") created by Fullgoal SPC at a total cash consideration of HK$100,000,000.

The primary investment objective of the Fund is to generate long term capital appreciation for its shareholders by investing in, amongst others, financial equities listed on the Stock Exchange, high yielding debt instruments traded or issued in Asian markets, investment funds with investment strategies of investing in the foregoing, interest bearing instruments and convertible bonds, high-yield, non-investment grade investments and unrated securities which might be unlisted with high yield and high risks. The Fund has a maturity of three years from the end of the initial offering period of 17 July 2017 and shareholders of the Fund may request redemption of all or some of their shares in the Fund as of the first business day of each calendar month or at such other day as determined by the directors of Fullgoal SPC. The minimum redemption amount with respect to redemption of shares in the Fund is HK$10,000,000 or such other amount determined by the directors of Fullgoal SPC. The redemption price is equal to the net asset value per share of the Fund at the redemption day after deduction of any applicable accrued performance fees and other charges and expenses. The directors of the Fund has the absolute discretion to effect a redemption payment to any or all redeeming shareholders in kind rather than in cash.

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS/ AVAILABLE-FOR-SALE INVESTMENT (CONTINUED)

Subject to the absolute discretion of the directors of Fullgoal SPC, a redemption fee of up to 1% of the redemption amount may be deducted from the redemption proceeds. The directors of Fullgoal SPC may waive all or part of the redemption fee. The Fund is subject to compulsory redemption by its directors without assigning any reason.

As mentioned in note 2(a)(i), on 1 January 2018, the Fund with carrying amount of HK$103,480,000 as at 31 December 2017 was reclassified from available-for-sale investment as financial asset at fair value through profit or loss upon adoption of HKFRS 9.

The fair value of the Fund is based on its net asset value as at 31 December 2018 reported by the Fund's manager. A firm of professional valuers has been appointed by the Company to assist management to assess whether any adjustment to the reported net asset of the Fund is required for the purpose of estimation of the fair value of the Fund as at 31 December 2018. The chief executive officer and the chief financial officer of the Company have discussion with the valuer on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

Judgements and estimates are made by management in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial assets into three levels prescribed under the accounting standards below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Recurring fair value measurements

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
As at 31 December 2018 Financial asset at fair value through profit or loss — investment fund	**–**	**–**	**102,183**	**102,183**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2017 Available-for-sale financial asset — investment fund	–	–	103,480	103,480

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS/ AVAILABLE-FOR-SALE INVESTMENT (CONTINUED)

Recurring fair value measurements (Continued)

There were no transfer between levels 1 and 2 for recurring fair value measurements during the year. There were also no transfers in and out of level 3 measurements during the year.

In arriving at the fair value of the Fund that the key input used by the Company is the net asset value reported by the Fund's manager. It is recognised by the Company that the net asset value of the Fund is sensitive to movements in the value of the underlying investments held by the Fund.

For the purpose of sensitivity analysis, management considers a reasonably possible adjustment to the net asset value of the Fund to be 1% (2017: 1%). For the year ended 31 December 2018, a 1% increase/decrease in net asset value of the Fund would result in a decrease/increase in loss for the year and increase/decrease in equity of the Group by HK$1,022,000 (2017: an increase/decrease in investment revaluation reserve and equity of the Group by HK$1,034,800)

18. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Raw materials	**6,138**	7,819
Work in progress	**16,914**	14,768
Finished goods	**1,497**	1,337
	24,549	23,924

An analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	2018 **HK$'000**	2017 HK$'000
Carrying amount of inventories sold	**134,085**	125,686
Write down of inventories	**1,166**	2,116
Reversal of write-down of inventories	**(1,416)**	(774)
Exchange adjustment	**(222)**	–
	133,613	127,028

The write-down of inventories related to decrease in the estimated net realisable value of certain slow-moving inventories.

The reversal of write-down of inventories was due to the sales and utilisation of inventories previously provided for.

19. TRADE AND OTHER RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade debtors and bills receivable		**41,105**	42,473
Less: Loss allowance	30(a)	**(1,530)**	(1,115)
	(i)	**39,575**	41,358
Sales consideration receivable, net of impairment loss of HK$45,000,000 (2017: nil)	(ii)	**–**	50,000
Other prepayments		**981**	1,012
Other debtors		**366**	245
		40,922	92,615

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(i) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables) based on the invoice date and net of allowance for doubtful debts, is as follows:

	2018 HK$'000	2017 HK$'000
Within 1 month	**7,775**	10,604
Over 1 month but within 2 months	**12,314**	15,492
Over 2 months but within 3 months	**6,016**	8,524
Over 3 months	**13,470**	6,738
	39,575	41,358

The Group recognised impairment loss based on the accounting policy stated in note 4(f)(ii).

Further details on the Group's credit policy and credit risk rising from trade debtors and bills receivable are set out in note 30(a). Trade debtors and bill receivable are in general due within 30–90 days from the date of billing.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) As at 31 December 2018, the balance represented the remaining sale consideration of HK$45,000,000 (2017: HK$50,000,000) receivable from the purchaser arising from disposal of the Company's subsidiary as detailed in note 11. Pursuant to the sale and purchase agreement, the balance is repayable within one year from the completion date of disposal of 24 August 2017. In addition, upon completion of the disposal, the share of the subsidiary together with the Group's shareholder's loan made to the subsidiary disposed of to the purchaser are pledged to the Company as security for the purchaser's obligation to pay the balance of the purchase consideration.

During the year ended 31 December 2018, the purchaser failed to settle the balance on the due date and it has only settled HK$5,000,000 up to 31 December 2018 and the date of approval of these financial statements. The remaining balance of HK$45,000,000 has therefore become past due and impaired. After performing impairment assessment on this receivable as mentioned in note 30(a), the directors consider it is appropriate to recognise impairment loss of HK$45,000,000 on this balance.

20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current tax payable/(recoverable) in the consolidated statement of financial position represents:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**1,787**	1,354
Exchange adjustments	**36**	984
Provision for PRC corporate income tax (note 10(a))	**3,194**	3,701
Over-provision in respect of prior years (note 10(a))	**(2,182)**	(117)
Reversal of tax provision for discontinued operation	**–**	(33)
Income tax paid	**(3,651)**	(4,102)
At 31 December	**(816)**	1,787
Represented by:		
Current tax payable	**–**	1,787
Current tax recoverable	**(816)**	–
	(816)	1,787

20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation HK$'000	Unrealised profit arising from intra-group transactions HK$'000	Provisions HK$'000	PRC dividend withholding tax HK$'000	Total HK$'000
Deferred tax arising from:					
At 1 January 2017	379	464	2,142	(1,124)	1,861
Charged to consolidated statement of profit or loss	(41)	(81)	–	(1,756)	(1,878)
Withholding tax paid relating to remittance of dividends	–	–	–	1,756	1,756
Exchange adjustments	148	(122)	150	–	176
At 31 December 2017 and 1 January 2018	486	261	2,292	(1,124)	1,915
(Charged)/credited to consolidated statement of profit or loss	(42)	(78)	429	(371)	(62)
Withholding tax paid relating to remittance of dividends	–	–	–	371	371
Exchange adjustments	(59)	100	93	–	134
At 31 December 2018	**385**	**283**	**2,814**	**(1,124)**	**2,358**

(c) Reconciliation to the consolidated statement of financial position:

	2018 **HK$'000**	2017 HK$'000
Deferred tax asset recognised in the consolidated statement of financial position	**3,482**	3,039
Deferred tax liability recognised in the consolidated statement of financial position	**(1,124)**	(1,124)
	2,358	1,915

20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 4(k), the Group has not recognised deferred tax assets in respect of the amount of estimated cumulative tax losses of HK$10,553,000 (2017: HK$7,245,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The unused tax loss of approximately HK$9,441,000 (2017: HK$5,863,000) are subject to agreement by the Inland Revenue Department and can be carried forward indefinitely, while the remaining unused tax loss of approximately HK$1,112,000 (2017: HK$1,382,000) will expire in five years from respective dates of incurrence.

(e) Deferred tax liabilities not recognised

At 31 December 2018, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to HK$70,526,000 (2017: HK$64,134,000). Deferred tax liabilities relating to a portion of these temporary differences amounting to HK$2,402,000 (2017: HK$2,083,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

21. CASH AND CASH EQUIVALENTS

	2018 **HK$'000**	2017 HK$'000
Cash at banks and in hand	**78,587**	95,590

As at 31 December 2018, cash and cash equivalents in the amount of HK$53,011,000 (2017: HK$58,354,000) were denominated in RMB and were deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

22. TRADE AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Trade creditors	**7,635**	11,209
Payroll and staff benefits payable	**20,827**	18,285
Accrued expenses	**4,016**	6,055
Payables for purchase of property, plant and equipment	**7,891**	2,344
Other taxes payable	**13**	740
Contract liabilities (note 7)	**772**	575
Other payables	**242**	1,158
	41,396	40,366

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

22. TRADE AND OTHER PAYABLES (CONTINUED)

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2018 **HK$'000**	2017 HK$'000
Within 1 month	**6,314**	8,727
Over 1 month but within 3 months	**880**	2,059
Over 3 months but within 6 months	**–**	396
Over 6 months	**441**	27
	7,635	11,209

23. EMPLOYEES RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000 (2017: HK$30,000).

Employees in the Group's PRC subsidiaries are members of the state-managed retirement scheme. The PRC subsidiaries are required to contribute to the scheme at rate of 10%-14% of the eligible employees' basic salary. The local government authority is responsible for the entire pension obligations payable to the retired employees.

The Group has no other material obligation for payment of retirement benefits beyond the annual contributions as described above.

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the shareholders' resolutions passed on 14 December 2010, the Company adopted a share options scheme ("the Scheme") whereby the directors of the Company are authorised to grant options to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Group and/or to recruit and retain high caliber eligible persons and attract human resources that are valuable to the Group.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

There were no options granted, exercised or lapsed during the years ended 31 December 2018 and 2017 and no options were outstanding as at 31 December 2018 and 2017.

25. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Notes	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000
Balance at 1 January 2017		4,348	151,800	–	46,404	202,552
Change in equity for 2017:						
Loss and total comprehensive income for the year		–	–	3,480	(50,353)	(46,873)
Shares issued under a subscription agreement, net of expenses	25(c)(ii)	300	28,890	–	–	29,190
Balance at 31 December 2017		4,648	180,690	3,480	(3,949)	184,869
Effect of adoption of HKFRS 9 on 1 January 2018	2(a)(i)	–	–	(3,480)	3,480	–
Balance at 1 January 2018 as restated		4,648	180,690	–	(469)	184,869
Change in equity for 2018:						
Loss and total comprehensive income for the year		**–**	**–**	**–**	**(51,414)**	**(51,414)**
Balance at 31 December 2018		**4,648**	**180,690**	**–**	**(51,883)**	**133,455**

(b) Dividends

No dividend was declared or proposed in respect of the years ended 31 December 2018 and 2017.

25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) *Authorised and issued share capital*

	At 31 December 2018		At 31 December 2017	
	Number of shares '000	Share capital HK$'000	Number of shares '000	Share capital HK$'000
Authorised,				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000
Ordinary shares, issued and fully paid:				
At 1 January	**464,804**	**4,648**	434,804	4,348
Shares issued under a subscription agreement	**–**	**–**	30,000	300
At 31 December	**464,804**	**4,648**	464,804	4,648

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) *Shares issued under a subscription agreement*

During the year ended 31 December 2017, 30,000,000 new ordinary shares of HK$0.01 each were issued at HK$1 per share pursuant to a subscription agreement dated 26 June 2017. This resulted in a net proceeds of HK$29,190,000, of which HK$300,000 and HK$28,890,000 (net of issue expenses of HK$810,000) were credited to share capital and the share premium account respectively. The shares were issued to provide additional working capital to the Group.

(d) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

According to the Company's Memorandum and Articles of Association, dividends may be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose with the sanction of an ordinary resolution.

25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Statutory reserve

Statutory reserve was established in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC. Transfers to the reserve were approved by the respective board of directors.

KEE Guangdong and KEE (Zhejiang) Garment Accessories Limited ("KEE Zhejiang"), which are wholly foreign owned enterprises incorporated in the PRC, are required to transfer at least 10% of its net profit (after offsetting prior year's losses), as determined under the PRC accounting rules and regulations, to statutory general reserve until the reserve balance reaches 50% of the registered capital under the PRC Company Law and the articles of association of these entities. The transfer to this reserve must be made before distribution of dividends to the equity shareholders.

Statutory general reserve can be used to make good prior years' losses, if any, and may be converted into paid-up capital provided that the balance after such conversion is not less than 25% of the registered capital.

(f) Capital reserve

Capital reserve comprises the following:

— reserves arising prior to and during the reorganisation of the Group during the year ended 31 December 2010;

— reserves arising from the disposal of the Group's 15% equity interests of KEE International (BVI) Limited during the year ended 31 December 2016 to a related entity without losing control in this subsidiary whereby adjustments were made to the amounts of controlling interests — capital reserve and non-controlling interests.

25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(g) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries with functional currencies other than HK$. The reserve is dealt with in accordance with the accounting policy set out in note 4(n).

(h) Distributability of reserves

At 31 December 2018, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was HK$128,807,000 (2017: HK$180,221,000).

(i) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and obligation under finance lease, if any), less cash and cash equivalents. Adjusted capital comprises all components of equity.

During the year ended 31 December 2018, the Group's strategy, which was unchanged from 2017 was to maintain the adjusted net debt-to-capital ratio below 20%. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2018 was 13% (2017: 11%). In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Investments in subsidiaries		**–**	–
Available-for-sale investment		**–**	103,480
Rental deposits		**2,758**	–
		2,758	103,480
Current assets			
Amount due from a subsidiary		**16,769**	23,245
Financial asset at fair value through profit or loss		**102,183**	–
Other receivables		**247**	50,412
Cash and cash equivalents		**14,717**	9,133
		133,916	82,790
Current liability			
Other payables		**3,219**	1,401
Net current assets		**130,697**	81,389
Total assets less current liabilities		**133,455**	184,869
Capital and reserves			
Share capital	25(c)	**4,648**	4,648
Reserves		**128,807**	180,221
Total equity	25(a)	**133,455**	184,869

Approved and authorised for issue by the board of directors on 28 March 2019

Wu David Hang
Director

Yau Chi Chiu
Director

27. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and business	Issued and fully paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
KEE International (BVI) Limited	BVI	2 ordinary shares of US$ 1 each	**85%**	–	Investment holding
KEE Zippers	Hong Kong	1,000,000 shares	**–**	85%	Trading of zipper products
KEE Guangdong*	The PRC	HK$137,500,000	**–**	85%	Manufacture and sale of zipper products
KEE Zhejiang*	The PRC	US$8,760,000	**–**	85%	Manufacture and sale of zipper products
Foshan UNA Cultural Gifts Co., Limited**	The PRC	RMB3,000,000	**–**	85%	Design and sale of garment accessories
Oriental Choice Holdings Limited	BVI	1 ordinary share of US$ 1	**100%**	–	Investment holding
Baiyu Ventures Limited	BVI	1 ordinary share of US$ 1	**100%**	–	Investment holding

* *These are wholly foreign-owned enterprises in the PRC.*

** *These are companies with limited liability in the PRC.*

27. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table listed out the information relating to KEE International (BVI) Limited, the only subsidiary of the Group which has material non-controlling interest ("NCI") as at 31 December 2018. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2018	2017
	HK$'000	HK$'000
NCI percentage	**15%**	15%
Current assets	**129,805**	152,546
Non-current assets	**80,639**	64,572
Current liabilities	**(54,626)**	(63,860)
Non-current liabilities	**(1,124)**	(1,124)
Net assets	**154,694**	152,134
Carrying amount of NCI	**23,204**	22,820
Revenue	**197,532**	184,732
Profit/(loss) for the year	**21,538**	(2,953)
Total comprehensive income	**2,559**	20,361
Profit/(loss) allocated to NCI	**3,231**	(443)
Cash flows from operating activities	**17,421**	9,844
Cash outflows from investing activities	**(33,952)**	(5,161)

28. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2018 and 2017 not provided for in the financial statements were as follows:

	2018	2017
	HK$'000	HK$'000
Contracted for	**3,850**	149

(b) At the end of the reporting period, the total future minimum leases payments under non-cancellable operating leases are payable as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 year	**20,162**	9,359
After 1 year but within 5 years	**20,556**	3,758
	40,718	13,117

29. MATERIAL RELATED PARTY TRANSACTIONS

On 17 February 2016, Mr Xu Xipeng resigned as the chairman of the board and chief executive officer of the Company. Mr Xu Xipeng and Mr Xu Xinan, former ultimate controlling parties of the Group, resigned as executive directors of the Group, but have remained as the directors of KEE International (BVI) Limited and KEE Zippers, the subsidiaries of the Company since 17 February 2016.

As at 31 December 2017 and 2018, the Company's ultimate holding company is considered by the directors to be Zhonghong.

In addition to the transactions disclosed in other parts of these financial statements, the Group entered into the following material related party transactions:

(a) Transactions

Relating to continuing operation

(i) The Group has renewed an operating lease on 31 December 2018 for a term of two years ending 31 December 2020 in respect of certain plant and buildings entered into with Mr Xu Xipeng and Mr Xu Xinan, the senior management of the Group. During the year ended 31 December 2018, the rentals paid by the Group under the expired lease agreement amounted to HK$4,413,000 (2017: HK$4,277,000).

(ii) Since the disposals of certain property, plant and leasehold land during the year ended 31 December 2016, the Group has agreed to leaseback those assets from Classic Winner Limited ("Class Winner") and Foshan City Nanhai Jinheming Investment Company Limited ("Nanhai Jinheming") which are owned by Mr Xu Xipeng and Mr Xu Xinan. These lease agreements were renewed on 16 January 2017 for a term of three years commencing from 16 January 2017. The rentals paid by the Group to Classic Winner and Nanhai Jinheming for the year ended 31 December 2018 amounted to HK$612,000 (2017: HK$587,000) and HK$3,914,000 (RMB3,300,000 equivalent) (2017: HK$3,641,000 (RMB3,167,000 equivalent)) respectively.

(iii) KEE Guangdong has entered into an operating lease on 24 August 2018 with a term of three years ending 31 August 2021 with KEE (Jingmen) Clothing Accessories Limited which are owned by Mr Xu Xipeng and Mr Xu Xinan in respect of certain plant and buildings. During the year ended 31 December 2018, the rentals paid by the Group under this lease agreement amounted to HK$1,898,000 (RMB1,600,000 equivalent) (2017: HK$Nil).

The above related party transactions constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Continuing Connected Transactions" of the Report of the Directors.

29. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions (Continued)

Relating to discontinuing operation

(i) On 12 July 2016, Tianjin Vitality Marketing Consultancy Company Limited ("Tianjin Vitality"), an indirect wholly-owned subsidiary of Neo Ocean Group which was disposed of by the Company on 24 August 2017 as detailed in note 11, and Yumafang Property Company Limited ("Yumafang Property") which is indirectly owned by the Company's ultimate holding company, Zhonghong, entered into the cooperation agreement (the "Cooperation Agreement"), pursuant to which Yumafang Property agreed to engage Tianjin Vitality in providing promotion, marketing and planning related services for the property development projects conducted by Yumafang Property for a term of one year commencing from the date of the Cooperation Agreement. The agreement expired on 11 July 2017. There was no service provided nor service fee charged by Tianjin Vitality during the period from 1 January 2017 to 24 August 2017.

(ii) Pursuant to the framework cooperation agreement dated 29 July 2016, as amended and supplemented on 2 September 2016 and further supplemented on 10 November 2016, (the "Framework Cooperation Agreement"), Zhonghong had agreed to engage Tianjin Vitality and Tianjin Jinhui Tianjin Company Limited, indirect wholly-owned subsidiaries of Neo Ocean Group, as the joint exclusive agents for the sales of the property projects developed by Zhonghong and its subsidiaries (the "Zhonghong Group") including the related sales planning, organisation, promotion and sales activities for the period commencing from the effective date to 31 December 2017. The commission payable by Zhonghong Group ranged from 5.5% to 6.5% of the sales amounts received by Zhonghong Group for the sales of properties. If the property projects developed by Zhonghong Group are sold at a price exceeding the price agreed by the captioned contracted parties, the joint exclusive agents shall be entitled to receive an excess sales equal to 20% to 40% of the excess sales amount received by Zhonghong Group. The agency fees received by Tianjin Vitality and Tianjin Jinhui from Zhonghong Group during the period from 1 January 2017 to 24 August 2017 amounted to HK$45,200,000 (RMB39,866,000 equivalent).

(b) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 12 and certain of the highest paid employees as disclosed in note 13, is as follows:

	2018 **HK$'000**	2017 HK$'000
Short-term employee benefits	**8,708**	7,453
Retirement scheme contribution	**202**	169
	8,910	7,622

Total remuneration is included in "staff costs" (note 9(a)).

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, interest rate, liquidity, currency and equity price risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, trade debtors and bills receivable, other debtors and the sale consideration receivable. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies for which the Group considers to have low credit risk.

Trade debtors and bills receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore certain concentration of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 18% (2017: 15%) of the total trade receivables were due from the Group's five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-90 days from the date of billing. Debtors with balances that are past due are usually requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade debtors and bills receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

Trade debtors and bills receivable (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and bills receivable as at 31 December 2018:

	Expected loss rate (%)	**Gross carrying amount** HK$'000	**Loss allowance** HK$'000
Current (not past due)	0.02	23,362	5
1–30 days past due	0.05	8,093	4
31–60 days past due	0.12	4,076	5
61–90 days past due	0.4	1,456	6
91–360 days past due	17.8	3,173	565
More than 360 days past due	100	945	945
		41,105	1,530

Expected loss rates are based on actual loss experience over the past one year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (note 4(f)(ii)). At 31 December 2017, the ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2017 HK$'000
Neither past due nor impaired	27,245
No more than 3 months past due	13,350
More than 3 months but no more than 12 months past due	763
More than 12 months past due	–
	14,113
	41,358

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

Trade debtors and bills receivable (Continued)

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

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 experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in the loss allowance account in respect of trade debtors and bills receivable during the year is as follows:

	2018 **HK$'000**	2017 HK$'000
Balance at 31 December under HKAS 39	**1,115**	1,037
Impact of initial application of HKFRS 9 (note 2(a))	**–**	–
Adjusted balance at 1 January	**1,115**	1,037
Reversal of impairment losses	**(325)**	(276)
Impairment losses recognised during the year	**830**	99
Written off	**(1)**	(3)
Exchange adjustments	**(89)**	258
Balance at 31 December	**1,530**	1,115

The increase in impairment loss during the year ended 31 December 2018 is mainly due to increase in balances of trade receivables past due for between 91 days and 360 days.

Other financial assets at amortised cost

As at 31 December 2018, in addition to the cash and cash equivalents which are considered to have low credit risk, other financial assets at amortised cost of the Group mainly include rental deposits and other debtors and the balance of the sale consideration of HK$45,000,000 (2017: HK$50,000,000) receivable (the "Receivable") from the purchaser arising from disposal of a former subsidiary of the Company as mentioned in note 11. The Receivable is secured on the issued share of the former subsidiary and the shareholder's loan sold to the purchaser.

In accordance with the accounting policies on impairment loss assessment as set out in note 4(f)(ii), the Group has assessed that there was no significant increase in credit risk since the initial recognition of the other financial assets at amortised cost to 31 December 2017 and accordingly, the measurement of the expected credit loss is based on 12 months ECLs which was considered by the directors of the Company to be insignificant. Therefore, no opening adjustment for the ECLs on the other financial assets at amortised cost has been made to the retained earnings as at 1 January 2018.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

Other financial assets at amortised cost (Continued)

Prior to 1 January 2018, an impairment loss on other receivables was recognised only when there was objective evidence of impairment (note 4(f)(ii)). As at 31 December 2017, the other receivables were neither past due nor impaired. Management considered that no impairment allowance was necessary as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

During the year ended 31 December 2018 and up to the date of approving these financial statements, the Receivable has not been settled by the purchaser on the due date of 24 August 2018 despite of the repeated request by the Company and therefore is considered to be credit-impaired. Accordingly, expected credit loss is measured based on lifetime ECLs. An impairment loss of HK$45,000,000 has been recognised on the Receivable after taking into account the current and expected operating results and financial position of the purchaser, which has been in financial difficulty. Meanwhile, the Company is considering to take appropriate legal actions against the purchaser to recover the debt in due course. The ECLs on other receivables which did have significant increase in credit risk from their initial recognition to 31 December 2018 were considered by management to be insignificant.

(b) Interest rate risk

As at 31 December 2018 and 2017, the Group had no borrowings and all its interest bearing financial assets are mainly bank deposits with maturity no more than one year. Accordingly, the Group's interest rate risk is considered insignificant.

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investments of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

All the financial liabilities of the Group, i.e. trade and other payables are carried at amount not materially different from their contractual undiscounted cash flows which approximated their carrying amounts as they have maturities within one year or are repayable on demand at the end of the respective reporting periods.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and bank deposits which give rise to receivables and cash balances that are denominated in United States Dollars ("USD") under KEE Zippers and KEE Guangdong.

As HK$ is pegged to USD, the Group considers the risk of movements in exchange rates between USD and HK$ to be insignificant.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (Continued)

The Group had RMB denominated bank deposits amounting to HK$48,000 (2017: HK$18,166,000) that was held by KEE Zippers and KEE Holdings for which HK$ is their functional currency. In addition, the Group had HK$ denominated inter-company other receivables amounting to HK$151,379,000 (2017: HK$171,204,000) that were held by KEE Guangdong and KEE Zhejiang for which RMB is their functional currency.

Sensitivity analysis

At 31 December 2018, it is estimated that a general appreciation/depreciation of 0.5% in HK$ against RMB, with all other variables held constant, would have decreased/increased the Group's net loss for the year and increased/decreased retained earnings by approximately HK$757,000 (2017: HK$765,000).

The sensitivity analysis assumes that the change in foreign exchange rate had been applied to re-measure the bank deposits and the inter-company other receivables which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The Group currently has no hedging arrangement for foreign currencies. The management will continue to monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(e) Equity price risk

The equity price risk arises primarily from the fluctuation in the fair value of the financial asset at fair value through profit or loss (2017: Available-for-sale investment) held by the Group as at 31 December 2018. The details of which have been set out in note 17.

(f) Fair values

The carrying amounts of the Group's financial instruments are not materially different from their fair values as at the end of respective reporting periods.

31. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issued by the board of directors on 28 March 2019.

Glossary

In this annual report, unless the context otherwise requires, the following terms shall have the following meanings.

"Board"	means	the Board of Directors
"CG Code"	means	code on corporate governance practices as set out in Appendix 14 to the Listing Rules
"Company"	means	KEE Holdings Company Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands on 6 July 2010, the Shares of which are listed on the Main Board of the Stock Exchange
"Controlling Shareholder(s)"	means	has the meaning ascribed to it under the Listing Rules and, in the context of the Company, means Glory Emperor Trading Limited and Mr. Wang Yonghong
"Director(s)"	means	the Director(s) of the Company
"Group"	means	the Company and its subsidiaries
"HK$" and "HK cents"	means	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	means	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	means	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	means	the stock market operated by the Stock Exchange, which excludes the GEM and the options market
"OEM"	means	original equipment manufacturer or manufacturing
"PRC" or "China"	means	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	means	Renminbi, the lawful currency of the PRC
"Share(s)"	means	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	means	holder(s) of issued Share(s)
"Stock Exchange"	means	The Stock Exchange of Hong Kong Limited