SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS LIMITED
新昌創展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1781

2018
Annual Report

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Tong Ying Chiu *(Chairman)*
Ms. Ng Siu Kuen Sylvia
Mr. Tong Bak Nam Billy *(Chief Executive Officer)*
Mr. Chan Kam Hon Ivan

Independent Non-executive Directors

Mr. Yuen Chi Ping
Mr. Leung Leslie Yau Chak
Mr. Cheung Ting Kin

Board Committees

Audit Committee

Mr. Cheung Ting Kin *(Chairman)*
Mr. Yuen Chi Ping
Mr. Leung Leslie Yau Chak

Nomination Committee

Mr. Yuen Chi Ping *(Chairman)*
Mr. Cheung Ting Kin
Mr. Leung Leslie Yau Chak
Mr. Tong Bak Nam Billy

Remuneration Committee

Mr. Leung Leslie Yau Chak *(Chairman)*
Mr. Yuen Chi Ping
Mr. Cheung Ting Kin
Mr. Chan Kam Hon Ivan

Risk Management Committee

Mr. Tong Ying Chiu *(Chairman)*
Ms. Ng Siu Kuen Sylvia
Mr. Tong Bak Nam Billy
Mr. Chan Kam Hon Ivan
Mr. Leung Leslie Yau Chak

Company Secretary

Mr. Chan Kam Hon Ivan

Authorised Representatives

Mr. Tong Bak Nam Billy
Mr. Chan Kam Hon Ivan

Headquarter and Principal Place of Business in Hong Kong

Flat B-F, 23/F, Block 4
Golden Dragon Industrial Centre
182-190 Tai Lin Pai Road
Kwai Chung
New Territories
Hong Kong

Registered Office

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

Principal Share Registrar

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

Hong Kong Branch Share Registrar

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

Compliance Adviser

Giraffe Capital Limited
3/F, 8 Wyndham Street
Central
Hong Kong

Legal Advisors as to Hong Kong Law

TC & Co.
Units 2201-3
Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

Principal Banks

CTBC Bank Co., Ltd.
O-Bank Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Company's Website

http://www.clip-fresh.com

Stock Code

1781

Chairman's Statement

On behalf of the board (the "Board") of directors of the Company (the "Directors," each a "Director"), I am pleased to present the annual results of the Group for the year ended 31 December 2018.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 October 2018 (the "Listing Date"). The Initial Public Offering ("IPO") is an important milestone in the development of the Group, which has had the combined impact of enabling the Group to strengthen its corporate values, become better known publicly, and gain access to the international capital markets. With strong support from various stakeholders, especially our long-standing customers, strategic partners and suppliers, the process of our IPO went very smoothly. In addition to my gratitude to our management team for their dedicated effort and to various professional parties for their guidance and input during the IPO process, I would like to take this opportunity to express my sincere appreciation of our shareholders who have given a strong vote of confidence in the Company and its future.

Results

The Board has resolved to announce the audited consolidated results for the year ended 31 December 2018. Total revenue for the year amounted to approximately HK$341.0 million (2017: HK$325.8 million), representing an increase of about 4.7%. The net profit for the year attributable to owners of the Company stood at approximately HK$33.8 million (2017: profit of HK$27.4 million). Basic earnings per share was approximately HK$7.73 cents (2017: HK$6.77 cents).

Dividends

Interim dividends of HK$30.0 million were recognised as distribution by our Company to our then shareholders for the year ended 31 December 2018 (2017: HK$10.0 million). The Board proposed a final dividend and special dividend of HK$4.0 cents and HK$3.5 cents per ordinary share respectively for the year ended 31 December 2018.

Overall Business Environment

Owing to the improvement of life quality, the global demand for quality household products is increasing. A key factor driving the growth of the household products market is product innovation and portfolio extension. Developed economies such as the United States of America ("USA"), the United Kingdom ("UK"), Australia and Hong Kong, have been experiencing a growing demand for premium household products. Safety, environmental-friendly design, better packaging, and aesthetic appeal are the key attributes of household product brands. Most consumers are well-informed about the various products in the market and look for better performance and quality of products.

Our innovative and diversified product portfolio gives us an important competitive advantage. In addition to strengthening our resilience and giving us the flexibility to avoid being over-reliant on one or a few critical products and customers, the portfolio provides us significant opportunity to cross-sell and co-create with key customers. Such mutually beneficial relationships have resulted in strong market share gain and further cross-selling potential. During the year, the Group offers a variety range of approximately 1,070 types of products to over 40 regions. Meanwhile, our Design and Development and Mould Design Team has developed numerous new products and registered 34 self-designed patents up until 31 December 2018.

Our mission is to offer food lover a stylish, reliable but affordable food container, while leading the way for socially-conscious business. In 2018, we obtained Industry Cares Awards 2018 and Hong Kong Most Outstanding Business Awards. We also participated in various charity events this year. These charity events provided us with precious opportunities to promote our brand and enhanced our brand image of shouldering social corporate responsibility among the public.

Future Plan & Prospect

Product innovation is expected to remain one of our key success factor over the coming years. Our innovative and diversified product portfolio give us an important competitive advantage. However, there are still many uncertainties and risks, such as the trade war between China and USA, changes in political and economic policies of the Chinese Government and increases in the prices or the unstable supply of raw materials. We will bear in mind these risks and manage the risks through formulating business strategies. We will continue to (i) consolidate our brand image and promote our corporate reputation; (ii) strengthen our product design and development capabilities and increase our product offerings; (iii) upgrade production machinery and implement technological advancements on production; (iv) purchase or develop moulds and related part of moulds; and (v) explore new types of materials for our products.

We will continue to develop and expand our customer base while diversifying and enhancing the products we offer. With the joint efforts of all of its employees, the Group endeavours to work well with its customers, business partners and shareholders to maximise its corporate value and deliver promising returns to its shareholders.

Appreciation

Finally, I would like to take this opportunity to thank all my fellow Directors and the staff for their contribution and cordial support during the year.

On behalf of the Board

Tong Ying Chiu
Chairman and Executive Director
Hong Kong, 26 March 2019

Business Review, Management Discussion and Analysis

Overview

We primarily design, develop, manufacture and sell plastic household products with our headquarters in Hong Kong for almost 40 years. Our products are sold either under our brand "*clipfresh*" or on an original design manufacture ("ODM") basis. Our customers are mainly (i) chain supermarkets, department stores and household product retailers; and (ii) importers/exporters.

During the year, we sold products to over 40 regions which include Australia, UK, USA, New Zealand and Germany.

During the year, the Group recorded a revenue of approximately HK$341.0 million for the year ended 31 December 2018 ("Current Year"), representing an increase of 4.7% compared with the year ended 31 December 2017 ("Last Year"). The Group's overall gross profit margin remained relatively stable at around 35.2% in the Current Year.

Profit for the Current Year increased by approximately HK$6.4 million or 23.4% from HK$27.4 million to HK$33.8 million. The increase was mainly attributable to (i) the increase in gross profit of approximately HK$7.2 million and (ii) the record of foreign exchange gain of approximately HK$6.7 million in the Current Year as compared to the exchange loss of approximately HK$4.0 million in the Last Year; while net-off by the effect of (iii) the increase in listing expenses; (iv) the increase in administrative expenses; and (v) the decrease in reversal of provision of compound penalty of approximately HK$2.1 million.

Business Review

Our Company's vision had always been providing innovative and dynamic products. In 2018, we have offered a comprehensive range of approximately 1,070 types of products ranging from storage boxes, laundry and bathroom wares, food storage, rubbish bins, outdoor, gardenware and furniture, kitchenware, office solutions, tool boxes, pet accessories, aircraft meal trays and seasonal goods.

The year 2018 has been a beneficial and challenging period for the Group. With the listing status of our Company, we upgraded aged machinery by acquiring new models of machinery with higher processing speed and developed new moulds to be responsive to the new product trends. The listing status of our Company also facilitate our Group in obtaining bank borrowings with more favourable terms. To implement technological advancement, we acquired 29 intelligent injection moulding machines during the year. We have registered 34 self-designed patents up until 31 December 2018.

In terms of market strategy, we are active in seeking new markets and clients. In 2018, we have 33 new clients in over 20 countries. Furthermore, we have applied the Hong Kong Corporate Social Responsibility market strategy to USA market, resulting in a growth in revenue of HK$5.8 million in USA market.

Outlook and Strategy

In 2019, there are many uncertainties and risks, such as the "trade war" between the People's Republic of China (the "PRC") and USA, changes in political and economic policies of the Chinese Government and increases in the prices or the unstable supply of raw materials.The Board is aware of these risks and the Company will manage these risks through formulating business strategies. Product innovation is still expected to remain one of our key success factors.

To sustain in the intensely competitive household products market, the Group is coming up with new product design and subsequent launches. Moreover, we are implementing technological advancements, such as using intelligent injection moulding machines and planning to use automation line for production and packing in the coming year. Such recent innovations of the Group have been successful in raising the sales of the Group which is driving the growth of the overall net profit for the Current Year. Our innovative and diversified product portfolio will continue to offer us the opportunity to develop new product categories through a combination of manufacturing techniques and cross-promotion of existing as well as new products thus increasing further our scale, strengthening our existing relationships and winning us new customers.

For market strategy, we believe we can bring our success in Hong Kong to deliver our brand visions worldwide with a local touch. Other than these marketing activities, we will also provide retail support to stores, apply for local credibility awards, and collaborate with cooking schools and charities.

The year 2019 is the 10th anniversary of the founding of "*clipfresh*". Looking forward, we will continue to be committed to brand concepts of healthy living and keep up with our innovative and diversified strategies and provide a wide varieties of household products to our customers that represent good value for money. We will also continue to enhance the efficiency of our supply chain, and seek for balanced development of both "*clipfresh*" and "ODM" business. Our Design and Development and Mould Design Team will also explore new features of our products and use different and new types of materials. We are confident that the Group is now better equipped to tap long-term growth opportunities in the household market worldwide.

Consolidate brand image and promote our corporate reputation worldwide

The year 2019 is the 10th anniversary of "*clipfresh*", which is a milestone of the Group. We will continue to market our "*clipfresh*" brand through our dedicated sales and marketing team. We intend to enhance public recognition of our "*clipfresh*" brand through further promotion in various media channels such as advertising in the internet and participating in trade exhibitions. Our ultimate target is to develop and build our "*clipfresh*" brand as a notation for mid-to-high end food and household storage products with artistic design and practical functionality. We will continue to participate in trade fairs and exhibitions such as Canton Fair (廣交會), Hong Kong Brands and Products Expo Fair (工展會), Hong Kong Houseware Fair, Mega Expo, Home Delight Show, International Houseware Show, Chicago, Oslo Design Fair and Formex Stockhome.

In the previous years, we had promoted the concept of corporate social responsibility ("CSR") in Hong Kong, communicated a moral value and developed a meaningful relationship with customers and stakeholders. We cooperated with charity organization such as Pok Oi (博愛) and Fool Angel (惜食堂) to host campaigns which include elderly residence visit and meal preparation event, to build a notion "*clipfresh*" caring of and giving back to society. We experienced great success in adopting the CSR marketing strategy in Hong Kong, and we will continue to implement similar CSR marketing model to our customers in other regions and to lead a competitive advantage which is based on a desired customer response and reward.

Strengthen our product design and development capabilities and increase our product offerings

Product design and development in response to safety standards, requirements and market trends are crucial to our success. We will continue to recruit well experienced experts to further develop our product design and development capabilities of household products with better functions, while using eco-friendly, safer and more cost-effective raw materials. Our Product Design and Development and Mould Design Team develops product designs pursuant to the market trends, customers' feedback and customers' preferences gathered by our sales and marketing team, to ensure our product designs ingratiate our existing and potential customers timely.

With rising health awareness of the public, we will also continue to place efforts on our product design and development to enhance our products with safe materials, so as to ensure that our products are free from toxic substance.

At present, we have engaged external professional design company responsible for product design and development. The design company provides us with detailed analysis and recommendations on the anticipated market trends of our products, according to their research and professional experience. The design team also works closely with our sales and marketing team, through regular meetings and discussions.

After our great efforts in research and development, in 2019, 10 new exclusive patents and 100 new product designs, aimed for a higher perceived value, such as "*clipfresh*" Classic 2.0 and glassy series, will join our "*clipfresh*" family and be launched to the worldwide market.

Upgrade production machinery and equipment

Advances in technology has changed the nature of manufacturing. Developments in collaborative automation created new capabilities, enabling automation to be applied not only in mass production processes but also in high-mix and low-volume production environments. Our products are mainly made of plastic. "Plastic injection" is our key production process since the production of our plastic products involves this process. We believe it is necessary to conduct this process efficiently. During the year, we have replaced our injection moulding machines with advanced model to increase the production efficiency, to reduce production costs and to improve product quality. We believe increased automation in production is essential to our success by ensuring reliability and cost competitiveness.

In 2019, we will invest on automation line for production and packing to improve our production efficiency and cost effectiveness, as we are facing increase in market demand in the coming years.

Purchase or develop moulds and related parts of moulds

With keen competition from other manufacturers, we believe that in order to increase our market share in the plastic household products manufacturing industry and to remain competitive, we must develop new products based on our innovation, We generally develop and launch 20-30 new products a year and thus moulds and related parts of moulds would be a critical part to success. We will also continue to introduce new products in order to increase market share and further strengthen our product design and development capability based on our historical experience. In the coming year, 300 new moulds and related parts of moulds are planned to be developed and purchased, which is in line with the increase in product models and production capabilities.

Explore of new type production material

Environmental impact becomes a worldwide and significant issue that society and more sectors are paying attention to when making daily living and business decisions. As a participant of society, we have responsibility in responding to sustain development. We will use eco-friendly and recyclable materials such as polylactic acid and bamboo fiber in the production of our products, making "*clipfresh*" a truly eco-friendly product that keeps both environmental and human safety in mind. Our "*clipfresh*" is labelled by Eco-labels and we ensure that our products protect health and the environment over their whole life cycle, from the extraction of raw materials until the final disposal.

Operating results

During the Current Year, the shares of the Company have been listed on the Main Board of the Stock Exchange by way of share offer of 135,000,000 new Shares (the "Share Offer") on 4 October 2018 (the "Listing Date"). Since the Listing Date, there has been no significant change in the business operations of the Group. The proceeds from the Share Offer have strengthened the Group's cash flow position and enabled the Group to implement its future plans and business strategies as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 21 September 2018 in relation to the Share Offer (the "Prospectus").

Revenue

For the Current Year, revenue of the Group amounted to HK$341.0 million, representing an increase of HK$15.2 million or 4.7% as compared with HK$325.8 million in 2017.

By geographical region

The increase in revenue was primarily due to the increase in sales to Australia and USA, partially offset by the decrease in the sales to UK and Germany. The increase in the sales to Australia was mainly due to the increase in sales to one of our top five customers in Australia. The increase in sales to USA was mainly due to the increase in sales to a new customer in USA by approximately HK$5.8 million. The decrease in the sales to UK and Germany was mainly due to the decrease in sales to two of our top five customers in these regions.

By products types

Our revenue from our "*clipfresh*" brand products and ODM products increased by approximately HK$5.1 million and approximately HK$10.1 million from approximately HK$82.8 million and approximately HK$243.0 million for the Last Year to approximately HK$87.9 million and approximately HK$253.1 million for the Current Year, respectively. Such increase in revenue from our "*clipfresh*" brand products was mainly due to the increase in revenue from the plastic series products as a result of the increase in sales volume. Such increase in revenue from ODM products was mainly due to the combined effect of (i) increase in sales of kitchenwares products and storage boxes products due to an increase in the average selling price and sales volume: (ii) decrease in sales of laundry and bathroom wares products due to the decrease in sales volume: and (iii) the decrease in sales of food storage products due to the decrease in average selling price and sales volume.

Cost of Sales

Cost of sales for the Current Year was HK$220.9 million, representing an increase of 3.7% from HK$212.9 million for the Last Year. The increase was in line with the overall increase in sales.

Gross Profit

Gross profit for the Current Year was HK$120.1 million, representing a increase of 6.4% from HK$112.9 million compared with the figures in 2017. The increase in gross profit was mainly due to increase in sales of our "*clipfresh*" brand products, which had a relatively higher gross profit margin.

Other Gains and Losses

We recorded other net losses of approximately HK$3.2 million for the Last Year, while we recorded other net gains of approximately HK$6.5 million for the Current Year. The change was mainly due to the foreign exchange gain as a result of the fluctuation of Renminbi denominated payable balance for the year ended 31 December 2018.

Selling Expenses

Selling expenses for the Current Year amounted to HK$22.5 million, representing an increase of HK$0.9 million or 3.9% from HK$21.7 million in 2017. This was primarily due to the combined effect of increased transportation costs and reduced marketing costs as a result of adjustments in marketing strategies.

Administrative Expenses

During the Current Year, administrative expenses amounted to HK$37.3 million, representing an increase of HK$5.5 million or 17.5% from HK$31.7 million in 2017, which was primarily due to (i) the additional professional service fee and related disbursement amounted to HK$1.1 million, (ii) additional insurance expenses amount of HK$0.5 million, and (iii) the increase in staff costs of HK$1.9 million and rental expense of HK$2.0 million as a result of new production facility acquired for the Current Year.

Finance Costs

Our finance costs increased from approximately HK$8.2 million for the Last Year to approximately HK$9.7 million for the Current Year, representing an increase of approximately HK$1.5 million or 18.6%. Such increase was primarily due to the increase in interest expenses on bank and other borrowings and overdrafts.

Income Tax Expenses

Our income tax expenses decreased by HK$0.7 million or 6.4% from approximately HK$11.6 million for the Last Year to approximately HK$10.8 million for the Current Year, primarily due to the over-provision for income tax expense in respect of prior year incurred in 2017. The effective tax rate for the Current Year was 24.3%, as compared to 29.7% for the Last Year.

Profit for the Year Attributable to Owners of the Company for the Reporting Period

For the Current Year, profit for the year attributable to owners of the Company amounted to HK$33.8 million, representing an increase of HK$6.4 million or 23.4% as compared to HK$27.4 million in 2017. The increase was primarily due to an increase in profit from operation as a result of increased revenue and gross profit.

Dividend

FINAL AND SPECIAL DIVIDENDS

	2018 **HK$'000**	2017 HK$'000
Proposed special dividend of HK3.5 cents (2017: Nil) per ordinary share	**18,900**	–
Proposed final dividend of HK4.0 cents (2017: Nil) per ordinary share	**21,600**	–
	40,500	–

The Board proposes the payment of a final dividend of HK4.0 cents per share (2017: Nil) and a special dividend of HK3.5 cents per share (2017: Nil) for the Current Year to the shareholders subject to the approval of the shareholders at the forthcoming annual general meeting to be held on Tuesday, 4 June 2019. This proposed distribution is not reflected as a dividend payable as of 31 December 2018, but will be recorded as a distribution out of retained earnings in the year ending 31 December 2019.

The date of closure of the register of members of the Company regarding the proposed distribution and payment date of proposed final dividend and proposed special dividend is set out in the paragraph headed "Closure of Register of Members".

Liquidity and Source of Funding

As of 31 December 2018, the current assets of the Group amounted to HK$414.0 million, which mainly comprised cash and bank balances (including restricted bank deposits), inventories and trade and other receivables, in the amount of HK$249.8 million, HK$29.8 million and HK$134.4 million, respectively. Current liabilities of the Group amounted to HK$332.5 million, of which HK$227.0 million was bank loans, HK$2.5 million was obligation under finance leases, HK$74.3 million was trade and other payables and HK$27.3 million was tax payable. As of 31 December 2018, the current ratio (the current assets to current liabilities ratio) of the Group was 1.2, representing an increase of 9.1% as compared with 1.1 times as of 31 December 2017. The change in the current ratio was primarily due to higher net cash balance resulting from improvement in working capital position.

The Group does not have other debt financing obligations as of 31 December 2018 or the date of this annual report and does not have any breaches of financial covenants.

Capital Expenditure

For the Current Year, the capital expenditure of the Group amounted to approximately HK$104.3 million, representing an increase of HK$96.9 million compared with HK$7.4 million in 2017. The increase in the capital expenditure was primarily due to the acquisition of new moulds and machineries for the new production facility established in Mainland during the year.

Cash Position and Fund Available

During the year, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows and borrowings. As at 31 December 2018, our cash and cash equivalents were approximately HK$173.1 million (31 December 2017: HK$122.8 million). The Group also had pledged bank deposits of approximately HK$71.7 million (31 December 2017: HK$92.3 million) for the Group's banking facilities. As at 31 December 2018, the current ratio of the Group was approximately 1.2 times (31 December 2017: 1.1 times).

Bank and Other Borrowings

As at 31 December 2018, the Group had total bank and other borrowings of approximately HK$228.1 million (31 December 2017: HK$179.2 million). As at 31 December 2018, the Group had aggregate banking facilities of approximately HK$267.9 million, of which approximately HK$233.2 million was utilised.

Net Gearing Ratio

Our gearing ratio decreased to approximately 1.5 times as at 31 December 2018 from 3.0 times as at 31 December 2017, mainly due to the increase of total equity to HK$225.7 million after the capitalisation issue and our listing on the Stock Exchange. Details of the capitalisation issue and Share Offer are set out in the Prospectus.

Material Investments

For the Current Year, the Group spent approximately HK$104.3 million in acquisition of plant and equipment (2017: HK$7.4 million).

Save as disclosed above, the Group did not have any significant acquisition or disposal of subsidiaries and associated companies during the year.

Net Current Assets

As at 31 December 2018, the Group had net current assets of approximately HK$81.5 million (31 December 2017: HK$38.4 million). The increase in net current assets position was mainly attributable to the increase in trade and other receivables during the year. The Group's policy is to regularly monitor its liquidity requirements and its compliance with covenants in relation to banking facility agreements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from the banks to meet its liquidity requirements. The Board is not aware of any liquidity issue that may cast significant doubt on the Group's ability to continue as a going concern.

Pledge of Assets

Certain of the Group's borrowings are secured by assets of the Group. Apart from the pledged bank deposits of HK$71.7 million as of 31 December 2018 (2017: HK$92.3 million), respectively, the Group also pledged property, plant and equipment carried at aggregated carrying amounts of approximately HK$8.3 million as at 31 December 2018.

In addition, certain of the Group's bank and other borrowings are secured by assets held by the management of the Group and/or their family members and the related companies which are controlled by the management of the Group and/or their family members and a key management personnel of the Group. In addition, certain of the Group's bank and other borrowings are personally guaranteed by the management of the Group and their family members and a key management personnel of the Group.

Loan Covenants

During the year, certain of the Group's bank and other borrowings are subject to several covenants. For instances, the Group remains listing on the Stock Exchange and the pledged deposit should not be lower than required level.

As at 31 December 2018, the Group had complied with all the above financial covenants.

Contingent Liabilities

As at 31 December 2018, the Group issued financial guarantees to banks in respect of banking facilities granted to related parties of an aggregate amount of HK$34.0 million (2017: HK$34.0 million). The amount disclosed above represents the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety, of which HK$33.5 million (2017: HK$34.0 million) has been utilised by the related parties respectively. Financial guarantees are initially recognised at fair value. As at 31 December 2018, amounts of HK$542,000 (2017: HK$564,000) have been recognised as financial guarantee obligations in the consolidated statement of financial position.

Employees and Remuneration Policy

As at 31 December 2018, the Group had 452 (2017: 443) employees in Hong Kong and PRC. Total staff costs including Directors' emoluments for the Current Year, amounted to approximately HK$50.5 million (2017: approximately HK$43.2 million). The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee. During the year, there has not been any incident of strike or labour shortage which adversely affected the Group's operations. In addition, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

Treasury Policy

The Group remains committed to a high degree of financial control, a prudent risk management and the best utilisation of financial resources.

Use of Proceeds from the Share Offer

On 4 October 2018, the Company issued a total of 135,000,000 shares by way of Hong Kong public offering and placing at a price of HK$1.1 each, and successfully listed its shares on the Main Board of the Stock Exchange.

The actual proceeds amounted to HK$97.7 million after deducting fees in relation to the issuance expenses. According to the purpose set out in the section "Future Plans and Use of Proceeds" in the Prospectus, 28.5% of the proceeds received from the Share Offer will be used for purchasing or development of moulds and related parts of moulds, 23.8% of the proceeds will be used for acquisition and replacement of production machineries and equipment, approximately 5.7% of the proceeds will be used for enhancement and upgrade of our ERP system, 14.8% of the proceeds will be used for repayment of interest-bearing bank loan, 9.5% of the proceeds will be used for strengthening our product design and development capabilities and increasing our product offerings, 8.2% of the proceeds will be used for enhancing brand recognition and awareness and promoting our corporate reputation, and 9.5% of the proceeds will be used for additional working capital and other general corporate purposes.

At the end of 2018, the Company had settled and used HK$31.1 million, of which approximately HK$2.9 million was used for purchasing or development of moulds and related parts of moulds, approximately HK$2.4 million for acquisition and replacement of production machinery and equipment, approximately HK$14.5 million for repayment of interest-bearing bank loan, approximately HK$1.0 million for product design and development, approximately HK$1.1 million for advertising and promotion campaign, and approximately HK$9.3 million for replenishment of our working capital. The remaining proceeds of HK$66.6 million will continue to be used for the purposes set out in the section "Future Plans and Use of Proceeds" in the Prospectus.

Foreign Exchange Exposure

The Group's sales and purchases are mainly denominated in US dollars and Renminbi. The sales of our Group are mainly denominated in US dollars or Hong Kong dollars. Some of our polypropylene resins are sourced from overseas and settled in US dollars. As our production base is in the PRC, the rental payment and the related staff costs are paid in Renminbi.

Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial foreign currency risk exposure in this area and will closely monitor the trend of Renminbi to see if any action is required.

As at 31 December 2018, the Group had not entered any financial instrument for the hedging of foreign currency.

Corporate Governance and Other Information

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

Corporate Governance Practices

The Company aims to achieve high standards of corporate governance which is crucial to the development of the Group and safeguard the interests of the shareholders.

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of corporate governance.

In the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code during the period from the Listing Date to 31 December 2018 (the "Period").

Directors' Securities Transactions

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Period.

Board of Directors

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of seven Directors including four Executive Directors and three Independent Non-executive Directors:

Executive Directors

Mr. Tong Ying Chiu *(Chairman)*
Ms. Ng Siu Kuen Sylvia
Mr. Tong Bak Nam Billy *(Chief Executive Officer)*
Mr. Chan Kam Hon Ivan

Independent Non-executive Directors

Mr. Yuen Chi Ping (appointed on 16 August 2018)
Mr. Leung Leslie Yau Chak (appointed on 16 August 2018)
Mr. Cheung Ting Kin (appointed on 16 August 2018)

Appointment and Re-election of Directors

Each of Mr. Tong Ying Chiu, Ms. Ng Siu Kuen, Sylvia, Mr. Tong Bak Nam, Billy and Mr. Chan Kam Hon, Ivan has entered into a service agreement with the Company for a period of 3 years commencing from the Listing Date (unless terminated by not less than 3 months' notice in writing served by either party pursuant to the terms of the service agreement) subject to retirement and re-election in accordance with the Articles of Associations of the Company.

Each of Mr. Yuen Chi Ping, Mr. Leung Yau Chak, Leslie and Mr. Cheung Ting Kin has entered in has entered into a service agreement with the Company for a period of one year commencing from 16 August 2018 (unless terminated by not less one month's prior notice in writing served by either party pursuant to the terms of the service agreement) subject to retirement and re-election in accordance with the Articles of Associations of the Company.

All Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Article 84 of the articles of association of the Company.

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

Mr. Tong Ying Chiu is the spouse of Ms. Ng Siu Kuen and the father of Mr. Tong Bak Nam, Billy. Ms. Ng Siu Kuen is the spouse of Mr. Tong Ying Chiu and the mother of Mr. Tong Bak Nam, Billy. Mr. Tong Bak Nam, Billy is the son of Mr. Tong Ying Chiu and Ms. Ng Siu Kuen.

Save as disclosed in the above paragraph, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 31 to 33 under the section headed "Biographical Details of Directors and Senior Management".

Directors' Training

According to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All Directors have participated in continuous professional development and provided to the Company a record of training they received for the year.

The individual training record of each Director received for the year ended 31 December 2018 is summarised below:

Name of Directors	Attending seminars/ reading materials relevant to the Director's duties
Mr. Tong Ying Chiu *(Chairman)*	√
Ms. Ng Siu Kuen Sylvia	√
Mr. Tong Bak Nam Billy *(Chief Executive Officer)*	√
Mr. Chan Kam Hon Ivan	√
Mr. Yuen Chi Ping	√
Mr. Leung Leslie Yau Chak	√
Mr. Cheung Ting Kin	√

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code requires that the responsibilities between the chairman and the chief executive officer should be segregated.

The two positions are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Tong Ying Chiu is the Chairman of the Board and Mr. Tong Bak Nam Billy is the Chief Executive Officer of the Company. Mr. Tong Ying Chiu is in charge of the management of the Board and strategic planning of the Group. Mr. Tong Bak Nam. Billy is responsible for the day-to-day management of the Group's business. The Company considered that the division of responsibilities between the Chairman and Chief Executive Officer is clearly established.

Independent Non-executive Directors

The Independent Non-executive Directors are appointed for a specific term and they are also subject to the retirement by rotation at least once every three years in accordance with the articles of association of the Company.

The three Independent Non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of construction, accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director gave a confirmation of his independence to the Company, and the Company considered each of them is independent under Rule 3.13 of the Listing Rules.

Functions of the Board and Management

The Board is primarily responsible for establishing the overall strategies of the Group, setting objectives and business development plans, assuming responsibility of corporate governance and monitoring the performance of senior management.

The management, under the leadership of the Executive Directors of the Company, is responsible for implementing the strategies and plans established by the Board and reporting on the Group's operations to the Board on a regular basis to ensure effective performance of the Board's responsibilities.

All the Directors have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. All the Directors have been provided with monthly updates on the Group's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

Board Diversity Policy

The Board adopted a board diversity policy on 3 October 2018 and revised on 31 December 2018 (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of diversity in the Board and is committed to enhancing quality of opportunity in all aspects of its business. The Company seeks to achieve Board diversity through the consideration against a range of objective criteria, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

During the year and as at the date of this annual report, the Board comprises seven Directors, one of whom is female. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

	Age Group	
Name of Directors	**30-60**	**60 and above**
Mr. Tong Ying Chiu *(Chairman)*		√
Ms. Ng Siu Kuen Sylvia		√
Mr. Tong Bak Nam Billy *(Chief Executive Officer)*	√	
Mr. Chan Kam Hon Ivan	√	
Mr. Yuen Chi Ping	√	
Mr. Leung Leslie Yau Chak	√	
Mr. Cheung Ting Kin	√	

Name of Directors	Professional Experience Sales and marketing and product development	Management	Accounting and finance	Law
Mr. Tong Ying Chiu *(Chairman)*	√			
Ms. Ng Siu Kuen Sylvia	√			
Mr. Tong Bak Nam Billy *(Chief Executive Officer)*		√		
Mr. Chan Kam Hon Ivan			√	
Mr. Yuen Chi Ping				√
Mr. Leung Leslie Yau Chak			√	
Mr. Cheung Ting Kin			√	

Measurable Objectives and Selection

The Board will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

Implementation and Monitoring

The Nomination Committee will monitor the implementation of the Board Diversity Policy and report to the Board annually.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

Board Meetings

The Board intends to hold Board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and propose matters to be discussed in the meeting agenda. Agendas and accompanying papers shall be sent not less than 3 days before the date of Board meeting to ensure that the Directors are given sufficient time to review the documents.

During the period from the Listing Date to 31 December 2018, the Board held two meetings. The attendance record of each Director is set out below:

Name of Directors	Number of attendance
Executive Directors	
Mr. Tong Ying Chiu *(Chairman)*	2/2
Ms. Ng Siu Kuen Sylvia	2/2
Mr. Tong Bak Nam Billy *(Chief Executive Officer)*	2/2
Mr. Chan Kam Hon Ivan	2/2
Independent Non-executive Directors	
Mr. Yuen Chi Ping	2/2
Mr. Leung Leslie Yau Chak	2/2
Mr. Cheung Ting Kin	2/2

Board minutes are kept by the Company secretary of the Company (the "Company Secretary") and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged by the Company in respect of potential legal action against its Directors and officers arising out of corporate activities of the Group.

General Meetings

No general meeting was held from the Listing Date to 31 December 2018.

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

Nomination Committee

The Company established the Nomination Committee with written terms of reference on 3 October 2018 and revised on 28 December 2018 and currently consists of one Executive Director and three Independent Non-executive Directors, namely Mr. Yuen Chi Ping (as chairman), Mr. Cheung Ting Kin, Mr. Leung Leslie Yau Chak and Mr. Tong Bak Nam Billy. The revised terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference of the Nomination Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Nomination Committee include, but are not limited to, (a) reviewing the structure, size and composition and diversity (including the skills, knowledge, educational background, experience and diversity) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board in the selection of individuals nominated for directorships; and (c) assessing the independence of Independent Non-executive Directors.

During the period from the Listing Date to 31 December 2018, the Nomination Committee held two meetings.

Name of Members	Number of attendance
Mr. Yuen Chi Ping *(Chairman)*	2/2
Mr. Cheung Ting Kin	2/2
Mr. Leung Leslie Yau Chak	2/2
Mr. Tong Bak Nam Billy	2/2

Nomination Policy

A Nomination Policy has been adopted by the Board to enable the Nomination Committee to consider and make recommendations to the shareholders for election as Directors at general meetings or to the Directors for appointment to fill casual vacancies.

Selection Criteria

In considering the nomination of new Directors, the Nomination Committee will take into account the factors listed below as reference in assessing the suitability of a proposed candidate:

(1) reputation for integrity;

(2) accomplishment and experience in the business in which the Group is engaged in;

(3) commitment in respect of available time and relevant interest;

(4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;

(5) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(6) the number of existing directorships and other commitments that may demand the attention of the candidate;

(7) requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules;

(8) Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(9) such other perspectives appropriate to the Company's business.

Director Nomination Procedure

Subject to the provisions in the Articles of Association of the Company and the Listing Rules, if the Board recognises the need for an additional Director or a member of senior management, the following procedure will be followed:

(1) The Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;

(2) The Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

(3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;

(4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) In the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference on 3 October 2018 and currently consists of one Executive Director and three Independent Non-executive Directors, namely Mr. Leung Leslie Yau Chak (as chairman), Mr. Yuen Chi Ping, Mr. Cheung Ting Kin and Chan Kam Hon Ivan. The terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

Terms of reference of the Remuneration Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Remuneration Committee include, but not limited to, (a) making recommendations to the Board on the policy and structure for the remuneration of all of Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (b) making recommendations to the Board on the specific remuneration packages of individual Executive Directors and senior management; (c) reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives; and (d) making recommendations to the Board on the remuneration of Non-executive Directors.

During the period from the Listing Date to 31 December 2018, the Remuneration Committee held one meeting.

Name of Members	Number of attendance
Mr. Leung Leslie Yau Chak *(Chairman)*	1/1
Mr. Yuen Chi Ping	1/1
Mr. Cheung Ting Kin	1/1
Mr. Chan Kam Hon Ivan	1/1

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 13 to the consolidated financial statements.

Senior Management's Remuneration

Senior management's remuneration for the year ended 31 December 2018 falls within the following bands:

	Number of individuals
Nil to HK$1,000,000	5
HK$1,000,001 to HK$2,000,000	1

Audit Committee

The Company established the Audit Committee with written terms of reference on 3 October 2018 and revised on 28 December 2018 and currently consists of three Independent Non-executive Directors, namely Mr. Cheung Ting Kin (as chairman), Mr. Yuen Chi Ping and Mr. Leung Leslie Yau Chak. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference of the Audit Committee are aligned with the code provisions set out in the CG Code.

The primary duties and roles of the Audit Committee include, but not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing the financial controls, risk management and internal control systems of the Group.

The Audit Committee meets the external auditors regularly to discuss any area of concern during the audit. The Audit Committee shall review the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the period from the Listing Date to 31 December 2018, the Audit Committee held two meetings.

Name of Members	Number of attendance
Mr. Cheung Ting Kin *(Chairman)*	2/2
Mr. Yuen Chi Ping	2/2
Mr. Leung Leslie Yau Chak	2/2

The Audit Committee noted the existing risk management and internal control systems of the Group and also noted that review of the same will be carried out annually.

The accounts for the year ended 31 December 2018 were audited by Deloitte Touche Tohmatsu whose term of office will expire upon the conclusion of the forthcoming annual general meeting of the Company ("2019 AGM"). The Audit Committee has recommended to the Board that Deloitte Touche Tohmatsu be re-appointed as the auditors of the Company at the 2019 AGM.

Risk Management Committee

The Company established the Risk Management Committee with written terms of reference on 3 October 2018 and currently consists of four Executive Directors and one Independent Non-executive Directors, namely Mr. Tong Ying Chiu (as chairman), Ms. Ng Siu Kuen Sylvia, Mr. Tong Bak Nam Billy, Mr. Chan Kam Hon Ivan and Mr. Leung Leslie Yau Chak. The terms of reference of the Risk Management Committee is currently made available on the websites of the Stock Exchange and the Company.

The primary duties and roles of the Risk Management Committee include, but are not limited to, review the general goals and fundamental policies of our risk and compliance management, internal control and risk management, internal audit functions and make recommendations to our Board on the same.

During the period from the Listing Date to 31 December 2018, the Risk Management Committee held one meeting.

Name of Members	Number of attendance
Mr. Tong Ying Chiu *(Chairman)*	1/1
Ms. Ng Siu Kuen Sylvia	1/1
Mr. Tong Bak Nam Billy	1/1
Mr. Chan Kam Hon	1/1
Mr. Leung Leslie Yau Chak	1/1

Corporate Governance Functions

The corporate governance functions are performed by the Board.

The corporate governance functions are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements, to oversee the Company's orientation program for new Director, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors, and to review the Company's disclosure in the Corporate Governance Report.

Auditors' Remuneration

During the year, the remuneration paid/payable to the Company's auditors are set out below:

	Fee paid/payable *HK$'000*
Audit services	1,900

Company Secretary

The Company has appointed Mr. Chan Kam Hon Ivan, who is an employee of the Company, as its Company Secretary. Mr. Chan Kam Hon Ivan confirmed that for the year ended 31 December 2018, he has taken no less than 15 hours of relevant professional training. The biography of Mr. Chan Kam Hon Ivan is set out in the section headed "Biographies of Directors and Senior Management" of this report.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders to convene an EGM

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 (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Flat B-F, 23/F, Block 4, Golden Dragon Industrial Centre 182-190, Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong, for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity, and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will request the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.

Putting enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong at Flat B-F, 23/F, Block 4, Golden Dragon Industrial Centre 182-190, Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong by post or by email to info@clip-fresh.com.

Procedures for shareholders to propose a person for election as a Director

If a shareholder of the Company wishes to propose a person other than a Director of the Company for election as a Director, the Shareholder must deposit a written notice (the "Notice") to the principal place of business of the Company in Hong Kong at Flat B-F, 23/F, Block 4, Golden Dragon Industrial Centre 182-190, Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong, or the branch share registrar of the Company, Union Registrars Limited ("Share Registrar"), at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for the attention of the Company Secretary.

The Notice must state clearly the name, the contact information of the Shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange, and be signed by the Shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent (the "Letter") signed by the person proposed to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice and the Letter will commence no earlier than the day after the dispatch of the notice by the Company of the general meeting appointed for election of Directors and end no later than seven days prior to the date of such general meeting.

The Notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Nomination Committee and the Board to consider including the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

Procedures for shareholders to put forward proposals at general meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information at the principal place of business of the Company in Hong Kong, with a copy of the Proposal served to the Company's branch share registrar in Hong Kong at their respective address and contact details set out on page 2 of this annual report.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than twenty-one clear days and not less than twenty clear business days in writing if the Proposal requires approval in an annual general meeting of the Company; and

(2) Notice of not less than fourteen clear days and not less than ten clear business days in writing if the Proposal requires approval in an extraordinary general meeting of the Company.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2019 AGM will be voted by poll.

Investor Relations

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim reports to all shareholders;

- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Directors' Responsibilities for the Consolidated Financial Statements

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2018, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Risk Management and Internal Control

The Board acknowledge that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The internal control systems of the Group are structured to assist in the achievement of the Group's goals, to safeguard the Group's assets and to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year. A review of the effectiveness of the risk management and internal control systems have been conducted by the Board at least annually.

Risk management

The Company has already reviewed its risk management framework and processes and has implemented relevant measures resulting from this exercise that aim to enhance its framework and processes. In particular, the Company has developed, approved and implemented a risk management system, which is defined and supported by its endorsed risk management policy. The system comprises the following phases:

- *Identification*: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Analysis*: Analyze the existing control, likelihood and consequence of risks and evaluate the risk portfolio accordingly.
- *Management*: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Internal control measures

The internal control system of the Group covers its major business aspects such as revenue management, expenditure management, human resources and payroll, cash and treasury management, financial reporting, compliance and information technology. The internal control measures are supervised by management team including Executive Directors of the Company. The management team is responsible to identify risks and internal control deficiencies, evaluate the internal control system of the Group from time to time and implementing additional control measures, if necessary, to improve the internal control system. Results of the internal assessments, internal surveys and routine inspections would be reported to the Audit Committee of the Board, which is responsible to review the financial information and supervise the financial reporting system and internal controls system of the Group.

Internal audit function

The Board conducted an annual review on the effectiveness of risk management and internal control systems, covering all material controls such as financial, operational and compliance controls. In addition, the Board has appointed an internal control review consultant to review the internal control systems of the Group on an on-going basis. During the year, the review covered key processes of project tendering, payment processing and administration, payroll and legal and compliance of the Group. Such review shall be conducted annually. The Board considered that the risk management and internal control systems of the Company for the year were effective and adequate.

Handling and dissemination of inside information

The Company has established and maintained procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in the securities of the Company by the Directors in accordance with Appendix 10 of the Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Stock Exchange.

Dividend Policy

The Company has adopted a Dividend Policy that aims to provide guidelines for the Board to determine whether dividends are to be declared and paid to the shareholders and the level of dividend to be paid. Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

(1) the Group's actual and expected financial performance;

(2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(3) retained earnings and distributable reserves of the Company and each of the members of the Group;

(4) the Group's liquidity position;

(5) interest of shareholder;

(6) taxation consideration;

(7) potential effect on creditworthiness;

(8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(9) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Constitutional Documents

Pursuant to special resolutions of the then shareholders of the Company passed on 16 August 2018, the existing memorandum and articles of association of the Company were adopted. Save as disclosed above, during the period from the Listing Date to 31 December 2018, there was no change in the constitutional documents of the Company.

The existing memorandum and articles of association of the Company are available on the websites of the Stock Exchange and the Company.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Tong Ying Chiu (湯應潮) ("**Mr. Tong**"), aged 67, is our founder, Chairman and Executive Director. Mr. Tong founded our Group in July 1979 and is responsible for the overall management, strategic development and major decision-making of our Group. Mr. Tong attended secondary education in Hong Kong. Mr. Tong has over 30 years of experience in the plastic products industry with extensive business and client network and experience in sales and marketing, product development, customer service and business management, which contributed to the long-term client relationship maintenance and business expansion of our Group.

Mr. Tong is the spouse of Ms. Ng Siu Kuen Sylvia, our Executive Director and the father of Mr. Tong Bak Nam Billy, our chief executive officer and Executive Director.

Ms. Ng Siu Kuen Sylvia (吳笑娟) ("**Ms. Ng**"), aged 65, is our Executive Director. Ms. Ng has been serving our Group since June 1989. Ms. Ng is responsible for managing the production of our Group. Ms. Ng has over 25 years of experience in the plastic products industry with in-depth knowledge in the manufacturing of plastic household products acquired through our Group.

Ms. Ng is the spouse of Mr. Tong Ying Chiu, our Chairman and Executive Director and the mother of Mr. Tong Bak Nam Billy, our chief executive officer and Executive Director.

Mr. Tong Bak Nam Billy (湯栢楠) ("**Mr. Billy Tong**"), aged 41, is our chief executive officer and Executive Director. Mr. Billy Tong joined our Group in March 2006. Mr. Billy Tong is responsible for the overall management, strategic development and major decision-making of our Group.

Mr. Billy Tong attended Macquarie University from July 1997 to November 2002 and was admitted into the Bachelor of Science in the Division of Information and Communication Sciences. Mr. Billy Tong has over 10 years of experience of managing and operating a plastic household products business. Since April 2017, Mr. Billy Tong has been a director of Pok Oi Hospital (a charity organisation) in Hong Kong. In August 2017, he was selected as a winner of the Young Industrialist Awards of Hong Kong 2017 by the Federation of Hong Kong Industries.

Mr. Billy Tong is the son of Mr. Tong Ying Chiu, our Chairman and Executive Director and Ms. Ng Siu Kuen Sylvia, our Executive Director.

Mr. Chan Kam Hon Ivan (陳錦漢) ("**Mr. Chan**"), aged 35, is our chief financial officer, Company Secretary and Executive Director. Mr. Chan joined the Group in March 2013 and is responsible for overall strategy development and financial operations and management of our Group. Mr. Chan obtained a degree of Bachelor of Commerce, with a double major in accounting and commercial law, from The University of Auckland in New Zealand, in May 2005. He has been a Certified Public Accountant (Practising) of the HKICPA since January 2013, a fellow member of HKICPA since March 2019 and a member of the HKICPA since March 2009. Mr. Chan has over 10 years of experience in the accounting and auditing disciplines. Prior to joining our Group, Mr. Chan worked in a number of accounting firms in the assurance department including Horwath Hong Kong CPA Limited from January 2005 to February 2007, Grant Thornton from March 2007 to February 2008, and PricewaterhouseCoopers Ltd. from February 2008 to August 2012.

Independent Non-Executive Directors

Mr. Yuen Chi Ping (袁志平) ("**Mr. Yuen**"), aged 40, has been appointed as our Independent Non-executive Director on 16 August 2018. Mr. Yuen is a qualified lawyer in Hong Kong and England and Wales and has over 12 years of experience practising as a lawyer in the PRC and Hong Kong. Mr. Yuen obtained a Bachelor of Laws in November 2001 and was awarded the Postgraduate Certificate in Laws in June 2002 from the University of Hong Kong, then undertake his traineeship and worked as a lawyer in various leading international law firms. He started work as a special counsel in the Shanghai office of Baker & Mckenzie from 2011 to 2014.

Mr. Yuen was the chief operating officer of Fullshare Holdings Limited from October 2014 to March 2018, which mainly engaged in real estate development, the provision of green building services and investment activities, and the healthcare business, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 607). Since July 2016, Mr. Yuen has been a non-executive director of Hin Sang Group (International) Holding Co. Ltd., which mainly engaged in the business of children's health care, Chinese medicines and traditional Chinese medical related projects, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6893). Since September 2016, Mr. Yuen has been an executive director and chief executive officer of Applied Development Holdings Limited, which mainly engaged in property investment, resort and property development and investment holding, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 519). Since December 2016, Mr. Yuen has been a non-executive director of China High Speed Transmission Equipment Group Co., Ltd., which principally engaged in producing mechanical transmission equipment and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 658). Since April 2017, Mr. Yuen has also been a director of Pok Oi Hospital (a charity organisation). Since April 2018, Mr. Yuen has been an executive director, the vice-chairman and the co-chief executive officer of Longitech Smart Energy Holding Limited, which principally engaged in the primary land development and public infrastructure construction business and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1281).

Mr. Cheung Ting Kin (張錠堅) ("**Mr. Cheung**"), aged 36, has been appointed as our Independent Non-executive Director on 16 August 2018. Mr. Cheung has been admitted to the degree of Bachelor of Commerce Accounting and Finance by Curtin University of Technology in Australia in September 2004 and has been awarded the degree of Master of Finance by The Australian National University in December 2005. Mr. Cheung worked in Ernst & Young as an accountant from September 2006 to November 2009, in Surrey Junction Investment Limited, a company engaging in media, entertainment and lifestyle in the PRC, as the chief financial officer from May 2010 to November 2011, and in Seige Communication Limited, a company engaging in financial public relations, manufacturing and trade, as the chief financial officer from January 2012 to December 2013. From October 2013 to July 2014, he was a financial controller at Richly Field China Development Limited, a company engaging in commercial and residential property development and operation and whose shares are listed on the Main Board of the Stock Exchange (stock code: 313). He was further appointed as the chief financial officer and company secretary of Richly Field China Development Limited since July 2014 and July 2015, respectively. In June 2016, he was appointed as a director of Maia Global Investments Limited, a company engaged in private equity investment fund. Since 28 February 2017, he has been appointed as a director of Guardians Asset Management Limited with principal business of assets management. Since January 2019, he has been appointed as the chief business development director of Plutus Securities Limited (a licensed corporation under SFO to engage in Type 1 (Dealing in securities regulated activity) and Plutus Asset Management Limited (a licensed corporation under the SFO to engage in Type 4 (Advising on securities) and Type 9 (Asset management) regulated activities).

Mr. Cheung has been a Certified Public Accountant of the HKICPA since March 2015, an associate of CPA Australia since June 2004 and certified dealmaker of the China Mergers & Acquisitions Association since February 2015.

Mr. Leung Leslie Yau Chak (梁祐澤) ("**Mr. Leung**"), aged 33, has been appointed as our Independent Non-executive Director on 16 August 2018. Mr. Leung obtained a Bachelor of Commerce degree majoring in Accounting and Finance from The University of Auckland in New Zealand in May 2006. Mr. Leung worked at Bloomberg L.P., a company engaging in providing financial software tools, data services, and news to financial companies and organisations as a data expert from May 2008 to June 2010. He later worked at N.M. Rothschild & Sons (Hong Kong) Limited (now known as Rothschild (Hong Kong) Limited), a company engaging in providing M & A, strategy and financing advisory to corporations, private equity, families and entrepreneurs, as an analyst from September 2010 to June 2013 and as an associate from July 2013 to July 2015. Mr. Leung then worked as a manager in the strategic investment department of Taobao China Holding Limited from December 2015 to January 2017.

Mr. Leung has been working at Chow Tai Fook Enterprises Limited, an investment holding company as a senior associate from February 2017 to April 2018, and has been appointed as the vice-president since April 2018.

Mr. Leung has been a chartered financial analyst charterholder of the CFA Institute since October 2012.

Senior Management

Mr. Lau Wing Yui Felix (劉穎睿) ("**Mr. Lau**"), aged 41, is our chief operating officer. Mr. Lau joined the Group in April 2017 and is responsible for overall strategic and operation management of our Group. Mr. Lau obtained a Bachelor's degree in Business Studies from Massey University in New Zealand in April 2001 and a Master of Commerce degree in Marketing from University of New South Wales in Australia in June 2002. Mr. Lau has over 10 years of experience in merchandising, sales and marketing disciplines. Prior to joining our Group, Mr. Lau worked in a number of firms including Training Master Limited, a company engaging in corporate training, from February 2002 to September 2003, Asia Master Limited, a company engaging in ceramic manufacturing, from September 2003 to August 2006, Homeasy Enterprise Limited, a company engaging in the trading of houseware products, as Marketing Manager, from September 2006 to December 2007, Heritage Mint (Asia) Ltd, a company engaging in the importing and wholesaling of household products, as Vice President from January 2008 to August 2015, Homeasy Enterprise Limited as Marketing Director from October 2015 to March 2017. Mr. Lau was the Leadership Development Officer in 2002, Leadership Development Director in 2003 and Vice President of Leadership Development and Youth Affairs in 2004 of the Junior Chamber International Victoria (Hong Kong) Ltd., a charitable organization aiming to provide development opportunities for young people.

Company Secretary

Mr. Chan is our Company Secretary. Mr. Chan is also our chief financial officer and Executive Director. Please refer to the paragraph headed "Executive Directors" of this section for his biographic details.

Directors' Report

The Directors are pleased to present their first annual report together with the audited consolidated financial statements of the Group for the year.

Reorganisation and Share Offer

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 22 March 2016 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, Cap. 622 (Laws of Hong Kong) on 28 April 2016.

Pursuant to the completion of the reorganisation as detailed in the section headed "Reorganisation" in the Prospectus to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group.

The Shares of the Company were listed on the Main Board of the Stock Exchange on 4 October 2018 through Share Offer as described in the section headed "Structure and Conditions of the Share Offer" in the Prospectus.

Use of Proceeds from the Company's Share Offer

The aggregate net proceeds from the Share Offer (after deducting listing expenses borne by the Company) amounted to approximately HK$97.7 million. The proposed application of net proceeds as stated in the Prospectus has been adjusted according to the principles and proposed percentage of utilisation as specified in the section headed "Future plans and use of proceeds" of the Prospectus. The use of proceeds from the Listing Date to 31 December 2018 is included in the section "Management Discussion and Analysis" on page 14.

Principal Activities

The Company is an investment company and its subsidiaries are principally engaged in the design, development, manufacturing and selling of plastic household products.

Business Review

A review of the business of the Group and, a discussion on the Group's future business development, and the Group's performance during the year are provided in the section headed "Business Review, Management Discussion and Analysis" on pages 6 to 14. No important event affecting the Group has occurred since the end of the year.

Principal Risks and Uncertainties

There are certain risks involved in our Group's operations, many of which are beyond the Group's control, including but not limited to those relating to our business and the industry. Some of the major risks the Group facing include the following:

- increases in the prices or the unstable supply of the raw materials we use in our products may have a negative effect on our business;
- our business and financial position may be adversely affected if we are not able to continue servicing the Australian market effectively or if there is any adverse change in the macro-economic situation or economic downturn in Australia;
- we may experience shortage of labour, high turnover rate of our manufacturing staff and our labour costs may continue to increase which may affect our operations and financial condition;
- we derive a significant portion of our revenue from our major customers with whom we have not entered into any long-term sales contracts;

- we rely on a few major suppliers for our principal raw materials and their discontinuation to supply to us may affect our business and financial condition; and

- our operations may be subject to transfer pricing adjustments by competent authorities

Detailed discussion of the risk factors is set out in the section headed "Risk Factors" in the Prospectus.

Environmental Policy and Performance

The Environment, Social and Governance Report of the Company for the year ended 31 December 2018 contained the information required under Appendix 27 to the Listing Rules is set out on pages 46 to 72 of this report.

Compliance with the Relevant Laws and Regulations

During the year, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operation of the Group.

Key Relationships with Employees, Customers and Suppliers

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment to employees and emphasis the personal development of its employees.

The Group maintains a good relationship with our customers, subcontractors and suppliers. The Group aims to continue providing quality services to our customers and establishing cooperation strategy with our subcontractors and suppliers.

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 77.

The Board proposed a final dividend of HK4.0 cents and a special dividend of HK$3.5 cents per ordinary share for the year ended 31 December 2018 (2017: Nil).

Charitable Donations

During the year, the Group made approximately HK$0.1 million charitable donations (2017: Nil).

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 30 May 2019 to Tuesday, 4 June 2019 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement to attend and vote at the 2019 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Wednesday, 29 May 2019.

The register of members of the Company will be closed from Wednesday, 12 June 2019 to Friday, 14 June 2019 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement in the proposed final dividend and proposed special dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, Suites 3301-04,33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, by not later than 4:00 p.m. on Tuesday, 11 June 2019. The proposed final dividend and proposed special dividend will be payable on or around Wednesday, 26 June 2019 to the Company's shareholders whose names appear on the register of the members of the Company on Friday, 14 June 2019.

Machinery and Equipment

Details of the movements during the year in the machinery and equipment of the Group are set out in note 16 to the consolidated financial statements.

Distributable Reserves

As at 31 December 2018, the Company's reserves available for distribution to the shareholders amounted to approximately HK$89.1 million.

Share Capital

Details of the movements in the share capital during the year are set out in note 28 to the consolidated financial statements.

Shares Issued

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company underwent series of reorganisation arrangements, which are more particularly described in the section headed "Reorganisation" in the Prospectus.

The Company issued 135,000,000 new shares at HK$1.10 each in relation to the Share Offer. The net proceeds received by the Company from the Share Offer (after deducting listing expenses borne by the Company) amounted to approximately HK$97.7 million. Details of the Share Offer were disclosed in the Prospectus.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Relief of Taxation

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from 4 October 2018 to 31 December 2018.

Permitted Indemnity Provision

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

Group Financial Summary

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on page 148 of this report.

Directors

The list of Directors of the Company up to the date of this annual report is set out below:

Executive Directors

Mr. Tong Ying Chiu *(Chairman)*
Ms. Ng Siu Kuen Sylvia
Mr. Tong Bak Nam Billy *(Chief Executive Officer)*
Mr. Chan Kam Hon Ivan

Independent Non-executive Directors

Mr. Yuen Chi Ping	(appointed on 16 August 2018)
Mr. Leung Leslie Yau Chak	(appointed on 16 August 2018)
Mr. Cheung Ting Kin	(appointed on 16 August 2018)

Pursuant to Article 84(1) of the 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 (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to the retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Accordingly, Mr. Tong Ying Chiu and Ms. Ng Siu Kuen Sylvia shall retire from office by rotation at the 2019 AGM and, being eligible, will offer themselves for re-election at the 2019 AGM.

Article 83(3) of the Articles of Association provides that the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. In accordance with Article 83(3), Mr. Yuen Chi Ping, Mr. Leung Yau Chak, Leslie and Mr Cheung Ting Kin should hold office until the 2019 AGM and being eligible for re-election at the 2019 AGM.

Directors' Service Contracts

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years commencing from 4 October 2018. Either party has the right to terminate the service agreement by giving not less than three months' written notice to the other party.

Each of the Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of one years commencing from 4 October 2018. Either party has the right to terminate the letter of appointment by giving not less than three month's written notice to the other party.

None of the Directors who are proposed for re-election at the 2019 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Related Party Transactions

Details of the related party transactions undertaken by the Group are set out in note 31 to the consolidated financial statements. The Directors consider that those related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Confirmation of Independence

The Company has received from each of the Independent Non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

Directors' Rights to Acquire Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of acquisition of shares in or debentures of, the Company or in any other body corporate.

Directors' Material Interests in Transactions, Arrangements or Contracts

No significant transaction, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at 31 December 2018 or at any time during the year.

Contracts with Controlling Shareholders

No contract of significance was entered into between the Group, or any of its subsidiaries, and any of the controlling shareholders or any of their subsidiaries during the period between the Listing Date and 31 December 2018.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2018, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

(i) Long positions in our Shares

Name of Directors	Capacity	Long position/ Short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company	Note
Mr. Tong Ying Chiu	Interest of a controlled corporation/interest of spouse	Long position	270,256,500	50.05	1
Ms. Ng Siu Kuen Sylvia	Interest of a controlled corporation/interest of spouse	Long position	270,256,500	50.05	1
Mr. Chan Kam Hon Ivan	Beneficial owner	Long position	98,613,000	18.26	

Note:

1. *These Shares are held by Uni-Pro Limited, a company incorporated in the BVI and is wholly-owned by Sun Cheong Creative. Sun Cheong Creative Development Limited is a company incorporated in Hong Kong and is held as to 50% by Mr. Tong Ying Chiu and as to 50% by Ms. Ng Siu Kuen Sylvia. Mr. Tong Ying Chiu is the spouse of Ms. Ng Siu Kuen Sylvia.*

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Long position/ short position	Number of shares held in the associated corporation	Percentage of shareholding
Mr. Tong Ying Chiu	Uni-Pro Limited	Interest of a controlled corporation/ interest of spouse	Long position	1 share of US$1.00 (note)	100%
Ms. Ng Siu Kuen Sylvia	Uni-Pro Limited	Interest of a controlled corporation/ interest of spouse	Long position	1 share of US$1.00 (note)	100%
Mr. Tong Ying Chiu	Sun Cheong Creative Development Limited	Beneficial owner	Long position	5000 shares	50%
		Interest of spouse		5000 shares	50%
Ms. Ng Siu Kuen Sylvia	Sun Cheong Creative Development Limited	Beneficial owner	Long position	5000 shares	50%
		Interest of spouse		5000 shares	50%

Note:

1. *The share is held by Sun Cheong Creative Development Limited, a company incorporated in Hong Kong and which is held as to 50% by Mr. Tong Ying Chiu and as to 50% by Ms. Ng Siu Kuen Sylvia.*

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

Substantial Shareholders Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2018, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Name	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company	Notes
Uni-Pro Limited	Beneficial owner	Long position	270,256,500	50.05	1
Sun Cheong Creative Development Limited	Interest of a controlled corporation	Long position	270,256,500	50.05	2
Mr. Lau Wing Cheung	Interest of a controlled corporation	Long position	32,086,000	5.94	3

Notes:

1. *Uni-Pro Limited is a company incorporated in the BVI and is wholly-owned by Sun Cheong Creative.*

2. *These Shares are held by Uni-Pro Limited, a company incorporated in the BVI and is wholly-owned by Sun Cheong Creative Development Limited. Accordingly, Sun Cheong Creative Development Limited is deemed to be interested in the Shares held by Uni-Pro Limited under the SFO.*

3. *8,650,000 shares are held as beneficial owner and 23,436,000 shares are held by Grand Mate Limited, a company incorporated in Hong Kong and is 70% controlled by Mr. Lau Wing Cheung.*

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2018.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the period from 4 October 2018 to 31 December 2018.

Share Option Scheme *(Please refer to IV-18 of the Prospectus)*

A share option scheme (the "Scheme") was conditionally adopted by the written resolutions of the Company's then shareholders passed on 16 August 2018. As of the date of this report, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme.

Purpose of the Scheme

The Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions eligible participants had or may have made to our Group. The Scheme will provide eligible participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate eligible participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

Participants of the Scheme

The Board may, at its discretion, offer to grant an option to the following persons:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any Directors (including the Independent Non-executive Directors) of the Company or any of its subsidiaries;

(iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

(iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to our Group.

Shares available for issuance

The maximum number of the Shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date, being 54,000,000 Shares. The Company may, subject to the issue of a circular, the shareholders' approval in general meeting and/or such other requirements prescribed under the Listing Rules, refresh this limit at any time to 10% of the Shares in issue as at the date of the Shareholders' approval and/or grant options beyond the 10% limit to eligible participants specifically identified by the Board. The above is subject to the condition that the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Scheme) if this will result in the 30% limit being exceeded.

As at the date of this report, the outstanding number of share options available for grant under the Scheme is 54,000,000 share options to subscribe for the Shares, representing approximately 10% of the issued share capital of the Company.

Maximum entitlement of each eligible participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular, the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules.

Time for exercising option and duration of the Scheme

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised otherwise imposed by the Directors.

Payment on acceptance of the option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Basis of determining exercise price of the option

The subscription price of a Share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

Non-Competition Undertakings *(Please refer to P.199 of the Prospectus)*

Mr. Tong Ying Chiu and Ms. Ng Siu Kuen Sylvia (collectively as a group of Controlling Shareholders), Sun Cheong Creative and Uni-Pro (together, the "Covenantors") have entered into the deed of non-competition (the "NCU") on 16 August 2018 in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time), under which each of the Covenantors has jointly and severally undertaken to the Company that he/she/it shall not, and shall procure that none of their respective close associates (other than members of the Group) shall, during the period that (a) the shares of the Company remain listed on the Stock Exchange; and (b) either the Covenantors and their respective close associates (other than members of the Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of the Company and not less than 10% of the noting power from the Substantial Shareholders; or (c) any of the Convenantors or their respective close associates remains as a Director of any member of our Group, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business that directly or indirectly be involved in or any business that directly or indirectly competes, or may compete, with our business or undertaking and any other new business which our Group may undertake from time to time after the listing of the shares of the Company on the Main Board of the Stock Exchange.

The Covenantors have confirmed to the Company the compliance with the non-competition undertakings during the period from 4 October 2018 to 31 December 2018. The Independent Non-executive Directors have reviewed the NCU and confirmed the compliance with the non-compete undertaking by the Covenantors during the period from 4 October 2018 to 31 December 2018.

Directors' Interests in Competing Business

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, within the Group's business at any time during the period from the Listing Date and up to the date of this annual report.

Equity-Linked Agreements

No other equity-linked agreements were entered into by the Group, or existed during the year.

Subsidiaries

Details of subsidiaries of the Company as at 31 December 2018 are set out in note 40 to the consolidated financial statements.

Borrowings

Particulars of the borrowings of the Group as at 31 December 2018 are set out in note 25 to the consolidated financial statements.

As at 31 December 2018, the Group had bank and other borrowings of approximately HK$228.1 million (2017: HK$ 179.2 million) and finance lease liabilities of approximately HK$2.7 million (2017: HK$1.2 million).

As at 31 December 2018, the Group had approximately HK$267.9 million of banking facility available, out of which approximately HK$233.2 million have been utilised. Our Directors confirm that our Group did not experience any difficulty in obtaining and renewing our facilities, default in payment of bank loans or breach of covenants for the year ended 31 December 2018.

Major Customers, Subcontractors and Suppliers

During the year, the percentage of revenue attributable to the largest customer and the five largest customers of the Group accounted for approximately 47.8% and 83.0% of the Group's total revenue respectively.

During the year, the largest supplier and the five largest suppliers of the Group accounted for approximately 37.1% and 90.4% of the total cost of sales of the Group respectively.

None of the Directors, their associates or any other shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Emolument Policy

The remuneration offered to the employees of the Group generally includes salaries, medical benefits and bonus. In general, the Group determines salaries of its employees based on each employee's qualifications, position and seniority. The Group will review our remuneration package annually. The Group provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. The Group also participates in various social welfare schemes including pension, medical, maternity, work-related injury insurances, unemployment insurance and housing provident fund contributions as required by PRC regulations.

On 16 August 2018, the Company had adopted the Share Option Scheme under which full time or part time employees, including Directors, of the Company and its subsidiaries, might be granted options to subscribe for the Company's ordinary shares.

Directors' Emoluments

Details of the remuneration of the Directors for the year are set out in note 13 to the consolidated financial statements.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules since the listing of its shares on the Stock Exchange and up to the date of this report.

Audit Committee

The Company established an Audit Committee on 3 October 2018 with written terms of reference (revised on 28 December 2018) in compliance with the CG Code. The primary duties and roles of the Audit Committee include, but are not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing the financial controls, risk management and internal control systems of the Group.

The Audit Committee currently consists of three Independent Non-executive Directors, namely Mr. Cheung Ting Kin (as chairman), Mr. Yuen Chi Ping and Leung Leslie Yau Chak. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018.

Auditors

The shares of the Company were listed on the Stock Exchange on 4 October 2018 and there has been no change in auditor since then. The consolidated financial statements for the year ended 31 March 2018 were audited by Deloitte Touche Tohmatsu whose term of office will expire upon the conclusion of the 2019 AGM. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditors of the Company for the subsequent year is to be proposed at the 2019 AGM.

By order of the Board

Sun Cheong Creative Development Holdings Limited
Tong Ying Chiu
Chairman

Hong Kong, 26 March 2019

Environmental, Social and Governance Report

Introduction and Environmental, Social and Governance Guide

This Environmental, Social and Governance Report (the "Report") summarizes Sun Cheong Creative Development Holdings Limited's (the "Company", together with its subsidiaries, the "Group" or "we") environmental, social and governance ("ESG") initiatives, plans and performance, and demonstrates its commitment to sustainable development.

As a leading designer, developer, manufacturer and distributor of plastic household products, the Group adheres to the ESG management direction in accordance with sustainable development, and is committed to progress effectively and responsibly against the ESG affairs of the Group as a core part of its business strategy. We believe that this is the key to our continuing success. We uphold the principles of "pollution prevention, energy conservation, environmental products, constant self-improvement, people-oriented practices and green operations", pursuant to which, we will continue to meet customer demands, make contributions to the community, and advance our long-term business development.

ESG Management Structure

The Group established a ESG taskforce (the "Taskforce"). The Taskforce comprises of core members from different departments of the Group and is responsible for collecting relevant information on our ESG aspects for the preparation of this Report. The Taskforce reports to the Board on a regular basis, assists in identifying and assessing the Group's ESG risks, and assesses the effectiveness of the Group's ESG internal control mechanism. The Taskforce also examines and assesses the performance in different aspects such as environment, safe production, labour standards, and product responsibility in the ESG perspectives. The Board has set the general direction of the Group's ESG strategy and ensures the effectiveness of ESG risk management and internal control mechanism.

Reporting Scope

The Report mainly focuses on the core businesses of the Group and its subsidiaries in Mainland China, including but not limited to design, development, manufacturing, and sales of plastic household products. The data collected herein refers to the core operation locations of the Group, including but not limited to factories in Shenzhen ("Factory No.9" and "Factory No. 10"), Factory No.4 in No. 228 Industrial District, Henggang Community, Henggang Staff Quarters, and Hong Kong Office. Unless otherwise stated, we obtained ESG Key Performance Indicators information through the Group's and its subsidiaries' operational control mechanisms. We will continue to expand the scope of disclosure in the future after the Group's data collection system becomes more mature and its work on sustainable development is strengthened.

Reporting Framework

The Report is prepared pursuant to the Environmental, Social and Governance Reporting Guide under Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (the "ESG Reporting Guide" or the "Reporting Guide").

Reporting Period

The Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2018 (the "Reporting Period").

Stakeholder Engagement

As stakeholder engagement represents an essential part in the continuous advancement of sustainability performance, the Group recognizes various stakeholders' views on our operations and ESG issues. To thoroughly understand and quickly respond to different stakeholders and handle their core concerns, we maintain close communications with various stakeholders (including but not limited to investors and shareholders, customers, suppliers, employees, government and regulatory bodies as well as communities, non-governmental organizations and the media) through different channels. The Group's communication channels with the key stakeholders are as follows:

Key stakeholders	Communication channels
Investors and shareholders	Annual general meetings Annual reports and interim reports Announcements and circulars
Customers	Customer satisfaction surveys and opinion forms Customer service center
Suppliers	Supplier management meetings and events Supplier on-site auditing management system
Employees	Employee opinion surveys Channels for employee feedback (forms, suggestion box, etc.) Regular management of communications and performance reviews Employee newsletter and broadcasting Intranet
Government and regulatory bodies	Regular performance reports Written responses to public consultations On-site inspections
Communities, non-governmental organizations and the media	Public and community events, and partnership projects on different topics Community investment programs Environmental, Social and Governance Reports

The Group endeavours to improve its performance in the ESG aspects through mutual cooperation with our stakeholders, thus creating greater values for our nation and our society.

Materiality Assessment

We acknowledge the importance of opinions given by our stakeholders, and identify and determine material issues that will be included in the Report by collecting feedback from stakeholders. The following table sets out the identified material issues and their relationship with the ESG Guide:

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Contact Us

The Group welcomes comments and suggestions from its stakeholders. You may provide your valuable comments on the Report or towards its performance in respect of sustainability via email to info@clip-fresh.com.

A. Environment

A1. Emissions

General Disclosures and Key Performance Indicators ("KPIs")

The Group recognizes the importance of good environmental management and strives to protect the environment in order to fulfill the social responsibilities of the Group. Over the course of business operation, the Group upholds the principles of "pollution prevention, energy conservation, environmental products, constant self-improvement, people-oriented practices, and green operations". Our "Environmental Manual" is formulated in accordance with the requirements of ISO14001:2004, which is also supplemented by our operation procedures, manufacturing process requirements, and laws and standards related to environmental protection. The operation of our environmental management system is based on the documentation management system.

The Group strictly complies with the "Environmental Protection Law of the People's Republic of China, "Law of the People's Republic of China on the Prevention and Control of Water Pollution", "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, "Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution of Solid Waste", "Air Pollution Control Ordinance" of Hong Kong, and other environmental protection related laws and regulations in China and Hong Kong. The Group has established the policy of environmental protection and responsibility to actively implement environmental protection measures for the pollution generated from its operational process.

During the Reporting Period, there was no incident of non-compliance with the relevant local environmental laws and regulations relating to air and greenhouse gas, emissions, sewage discharge into water and land, and generation of hazardous and non-hazardous wastes, which would have a significant impact on the Group.

In addition to formulating the "Environmental Target and Indicators and Plan Management Procedures", "Environmental Manual", "Procedures for Identifying and Controlling Environmental Factors", "Compliance Control Procedures", "Environment-related Laws and Regulations and Other Required Management Procedures", "Environmental Inspection Management Procedures", and "Operation Control Procedures", the Group has formulated, revised, and implemented our environmental targets and indicators so as to exercise effective control over pollutants generated from our production and offices, including wastewater, exhaust gas, noise, and waste, manage such wastes in order, and oversee the implementation of environmental protection measures, the effective implementation of the environmental management system, and the realization of environmental targets and indicators at various departments of the Group. In addition, our factories will each year appoint a third-party testing body to test exhaust gas, noise, and wastewater that may affect the environment, as well as to calculate the carbon emissions.

The general manager of the Group is responsible for approving environmental targets, indicators and management plans; the management representatives are responsible for review and approval; department heads are responsible for informing their subordinates of the related consultations, as well as conducting testing activities; various department representatives are responsible for conducting investigations and evaluations over environmental factors; the plant work department will inspect and measure pollutant emissions from the factories on a regular basis, and oversee the implementation of the abovementioned measures and policies related to environmental protection. We expect that various departments, subject to strict oversight and guidance, will endeavour to enforce our environmental policies and ensure all business processes are in compliance with legal requirements. In addition, the Company establishes and maintains a set of "Management Assessment Procedures", and the highest-ranking officer in charge of environmental management will conduct assessments over the environmental management system in accordance with the interval and frequency requirements in order to ensure the system continues to be applicable, sufficient, and effective. The management assessment process safeguards the collection of necessary information so that the environmental management representatives can conduct assessments.

Exhaust gas Emissions

During the business operation of the Group, the sources of exhaust gas emissions include exhaust gas from plastic injection, emergency power generators, and vehicles. We have adopted the following emission reduction measures against the abovementioned emission sources:

Exhaust gas from plastic injection

The high-temperature melting process during our daily production activities will generate volatile organic compounds, forming organic exhaust gas that irritates the eyes, respiratory system, and skins. Therefore, we have formulated the "Design Plan to Purify and Treat Exhaust Gas from Plastic Injection" (《注膠廢氣淨化治理工程設計方案》), pursuant to which, we plan to invest in and construct three treatment facilities specialized in organic exhaust gas collection and deep purification to ensure that such purified and treated exhaust gas will meet the emission concentration and speed requirements under the "Emission Limits of Air Pollutants from Existent Polluting Sources", Class II Criteria of the second period of the "Emission Standard for Air Pollutants" (DB44/27-2001) issued by the local government in Guangdong before being discharged into the atmosphere.

Emergency power generators

- Deliver messages to our employees regarding energy conservation; and
- Research and develop production technologies related to energy conservation and emission reduction.

Vehicle Exhaust Gas

- Optimize operating procedures for increasing the loading rate of vehicles and lowering the idle rate; and
- Conduct regular maintenance and repair of vehicles to effectively reduce fuel consumption, which further reduce carbon emissions and exhaust gas emissions.

Summary of Exhaust Gas Emission Performances:

Exhaust Gas Emission Category	Total Emissions (in kilograms)
Sulphur Oxides (SOx)	0.45
Nitrogen Oxides (NOx)	117.28
Particulate Matter (PM)	11.51
Total	**129.24**

Greenhouse Gas ("GHG") Emissions

The Group's major GHG emissions resulted from use of emergency generators and combustion of gasoline and diesel from transportation that causes direct GHG emissions (Scope 1), and the indirect GHG emissions resulting from purchased electricity (Scope 2). The Group has actively adopted the electricity-saving and energy-saving measures to reduce GHG emissions, including:

- Energy efficiency and environmental protection related production technologies are researched;
- The carbon emissions caused by vehicle exhaust gas are reduced, detailed measures are described in the section "Exhaust Gas Emissions – Vehicle Exhaust Gas" above; and
- At the office level, environmental protection and energy conservation measures are actively taken and relevant measures are described in the "Electricity Management" of Aspect A2.

With the above environmental measures, employees' awareness in GHG reduction has increased.

Summary of GHG Emission Performances:

Indicator[1]	Total Emissions (tCO_2e)	Intensity[2] (tCO_2e/employee)
Direct GHG emissions (Scope 1)		
• Mainland China operational sites	100.04	
• Hong Kong Office	46.78	
• Scope 1 sub-total	146.82	0.32
Indirect GHG emissions (Scope 2)		
• Mainland China operational sites	15,686.93	
• Hong Kong Office	36.85	
• Scope 2 sub-total	15,723.78	34.79
Total GHG emissions (Scope 1 and 2)	15,870.60	35.11

Notes:

1 *GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development; Shenzhen Emission Trading Scheme – Organization Greenhouse Gas Emission Audit Report; "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX; the latest released emission factors of China's regional power grid basis; and "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).*

2 *As of 31 December 2018, the Group had a total of 452 full-time employees in Hong Kong and Mainland China. The data is applicable to other intensity data as contained in the Report.*

Sewage Discharge

We have developed environmental operation control procedures to monitor the production, office and domestic sewage to comply with the relevant laws and regulations and to meet the local government's sewage discharge standards. In addition, we will inspect and test the drinking water and water sample within the living quarters and production areas within the factory premises to ensure the water quality is in compliance with the CJ94-2005 "Water Quality Standard for Fine Drinking Water" and the GB/T5750-2006 "Standards for Drinking Water Quality".

Domestic Sewage

Domestic water mainly includes toilet wastewater. We establish discharging pipelines and venues for domestic sewage generated from washing and cleaning. In general, domestic water discharged to the municipal pipeline network will be processed by local wastewater treatment plants. The Group establishes septic tanks, the fermentation and isolation processes of which will treat toilet wastewater before such toilet wastewater is discharged into local sewage pipelines. On the other hand, local public hygiene departments will clean out isolated waste on a regular basis.

Summary of Sewage Discharge Performances:

Type of Sewage	Discharge (tonnes)	Intensity (tonnes/employee)
Industrial sewage	360	0.80
Domestic sewage	446	0.99
Total	**806**	**1.79**

Waste Management

The Group identifies and classifies wastes, and designates personnel to handle the wastes in a timely manner and maintain the sanitation around the collection bins. Information about the management of solid and hazardous wastes is included in Operation Control Procedures. For the following types of solid wastes, we adopt specific treatment measures:

Non-hazardous Waste

Solid waste from production processes and office operations are prohibited from unauthorized disposal to prevent secondary pollution, collection of which will be processed by the Plant Work Department in compliance with the "Waste Management Regulations" and "Regulations for Water, Electricity, and Paper Consumption".

To promote waste reduction, we evangelize sortation of wastes and reduction of waste at source. To this end, we are committed to building an e-application office environment, where the internet system will be fully utilised for delivery of notices regarding general affairs and transmission of information through the network system. In the meantime, printing and photocopying will be avoided as much as possible to reduce use of paper, and double-sided office paper is encouraged. We recommend our employees should differentiate recyclables from non-recyclables, such as paper waste and paper-based packaging boxes or cases, which will be listed and disposed as "recyclables". Through the above waste reduction measures, employees' awareness of waste reduction has increased.

Summary of Non-hazardous Waste Discharge Performances:

Type of Waste	Total Emissions (tonnes)	Intensity (tonnes/employee)
Paper	6	0.01
Waste equipment	18	0.04
Others (waste cardboard boxes, waste cardboards, waste plastic cases (boxes), etc.)	120	0.27
Domestic wastes	216	0.48
Total	**360**	**0.80**

Hazardous Waste

During our production, we will endeavour to minimize or avoid use of hazardous substances or production techniques that may generate hazardous substances. If hazardous substances are used in and hazardous wastes are generated from the processes of production, equipment repair, and office activities, including used oily gloves and lamp scraps, they will be handled in accordance with the "Hazardous Chemicals Management Regulations" and "Waste Management Regulations". In accordance with the GB13690-92 "Classification and Labels of Dangerous Chemical Substances Commonly Used", we register and classify hazardous chemicals, while disposing expired or obsolete hazardous chemicals and related packaging and containers in accordance with the aforesaid regulations. The relevant hazardous wastes will be collected by our factories and recycled by qualified companies. We will maintain the recycle contracts and transfer statement stubs that contain records of the relevant hazardous wastes.

Since the Group has put a great effort in avoiding the use of hazardous substances in the processes of production, equipment repair, and office activities, the Group therefore did not identify any material hazardous waste during the Reporting Period.

A2. Use of Resources

General Disclosures and KPIs

The Group is actively promoting the effective use of resources for the purpose of monitoring the potential impact of business operations on the environment. Promotion of green operating environment aims to minimize the environmental impact of the operation of the Group and its subsidiaries. We persist in the rational and efficient use of resources, and establish the "Operation Control Procedures" to conduct rational and effective control and management of environmental factors during our operation. The Group manages the use of resources such as water, electricity and oil, and conducts key management of major energy-consuming equipment. It also regulates equipment operation procedures to fully and effectively use energy. In addition, in order to achieve environmental sustainability, the Group regularly circulates environmental protection messages and practical advice on environmental-friendly lifestyles to its employees.

We have established a taskforce focusing on environmental health and safety, with a view to not only preventing safety accidents from happening to our employees at factory premises to build "accident-free" factories, but also enhancing the environmental awareness to conserve energy, rationalize use of resources and promote green building. In addition to the major responsibility to provide our employees with guidelines, this taskforce assists and raises their awareness for and attention to environmental health and safety, while encouraging the employees to assist the management at our factories to implement, assess, and improve the environmental health and safety systems at workplaces.

Electricity Management

In the daily operation and production process, the main energy consumption of the Group includes consumption of production-based electricity and domestic electricity.

The Group has carried out the relevant plans for efficient use of energy to achieve the goals of saving electricity and using electricity efficiently. The relevant measures are as follows:

- Using electricity-saving equipment, electrical appliances, and lamps for production, office, and domestic electricity use;
- Forbidding the running of idle equipment, and the unreasonable electric wiring distribution;
- Using LED lamps in offices and factories;
- Requiring our employees to turn on electrical equipment, including lighting equipment, air conditioners, fans, etc. during business hours depending on actual needs, and encouraging them to turn off the power when not in use or before off duty; and
- Enhancing the maintenance and overhaul of equipment, maintaining the best condition of all electronic equipment for effective use of electricity.

In addition, the Group posts power-saving slogans at prominent locations. It raises the employee's awareness of energy conservation and environmental protection in the work and life. Through these energy-saving measures, employees' awareness on energy conservation has been increased. During the Reporting Period, the Group purchased new equipment to boost the production efficiency and curtail production procedures, thereby lowering electricity consumption.

During the Reporting Period, the Group's consumption of electricity and other types of energy were:

Type of Energy	Energy Consumption (KWh)	Intensity (KWh/employee)
Diesel[3]	154,152.71	341.05
Petrol[4]	136,511.87	302.02
Electricity	16,599,684.00	36,724.96

Notes:

3. *Conversion is in reference to the conversion provided on U.S. Energy Information Administration Energy Conversion Calculators, actual diesel consumption was 14,545 litres.*

4. *Conversion is in reference to the conversion provided on U.S. Energy Information Administration Energy Conversion Calculators, actual petrol consumption was 14,638 litres.*

Water Management

The Group's water consumption is mainly from domestic water consumption of production areas and living quarters. To boost the water consumption efficiency, we have adopted the following measures:

- Applying water-saving appliances in water facilities as much as possible;
- The faucets should be closed in time after using water to prevent the wastage and leakage of water; and
- If abnormal conditions are detected, the relevant department should be notified in time to prevent any wastage of water resources.

The Group has been enhancing its water-saving promotion, posting water-saving slogans, and reminding employees to use water reasonably. The Company also has management systems in place to conserve water for production purposes and domestic water used by our employees, in which case, expenses incurred by water consumption are reduced and the awareness of water consumption among our employees has been effectively enhanced. Through the above water-saving measures, employees' awareness on water conservation has been increased. Considering the production model and geographic locations of our factories and offices, we do not have any issue relating to access to appropriate water sources.

During the Reporting Period, the Group's water consumption and its intensity are set out as follows:

Water Consumption (cubic meter)	Intensity (cubic meter/employee)
1,660	3.67

Use of Packaging Materials

During the production of the Group, the packaging materials used are plastic bags, paper bags and cartons. The total usage amount during the Reporting Period were:

Type of Packaging Materials	Volume (tonnes)
Plastic bags	0.18
Paper bags	6.00
Cartons	540.00
Total	**546.18**

A3. Environment and Natural Resource

General Disclosures and KPIs

The Group pursues the best environmental practices and focuses on its impact on the environment and natural resources from its business operation. In addition to complying with environment-related regulations and international standards to appropriately protect the natural environment, we have integrated the concept of environmental protection into its internal management and daily operational activities, and are committed to achieving environmental sustainability.

With the "Environmental Protection Policy and Environmental Targets" in place, the Group maintains our production experience and philosophy of "Closer to Man and Nature" ("更接近人類，更接近自然"). We prioritize and consider the development of environmental management systems, comply with environmental regulations, and conserve energy. Furthermore, we produce environmental and green products and include health and safety into our systems. By constantly improving our own conditions and actions, we build a green culture to fulfil our sincere community commitments.

Our environmental policy comprises six aspects, including pollution prevention, energy conservation, environmental products, constant self-improvement, people-oriented practices, and green operations. Our environmental objectives include elimination of pollution – zero pollution; compliance with the emission standards – the compliance rate of 100% for emissions and wastes; and environmental protection and energy conservation – new technologies that meet the low-carbon and energy conservation requirements.

Environmental Factor Assessment

The Group has established the "Procedures for Identifying and Controlling Environmental Factors", which aims to control the process of assessing environmental factors, and identify which environmental factors are controllable or susceptible to influences, for the purposes of determining material environmental factors. In identifying environmental factors and environmental impacts, we take into consideration three statuses (being normal, abnormal, and unforeseeable emergency) and five aspects (possible occurrence of environmental impacts, possibility of testing, laws and regulations, the materiality of environmental impacts, and its scope of impacts).

Production Process Improvement Management

The Engineering Department and Production Department will be responsible for making appropriate improvement to production processes and raw materials, and endeavour to use raw materials with less pollution and minimize environmental pollution during the production process. While executing the manufacturing procedures in strict compliance with the production processes to reduce generation of wastes and energy consumption, we increase the efforts to manage the use of recyclables to lower the scrap rate.

Noise Management

The Production Department and Plant Work Department will conduct maintenance and repair on various equipment at the Production Department on a regular basis, thereby ensuring that the production equipment operates in good conditions without generating much noise caused by equipment anomalies. Equipment that generates extremely loud noise will be insulated. Oily rags used for repair work shall be handed over to the Plant Work Department for disposal instead of improper disposal. Scrapped components from the inspection and repair work shall be subject to approval by the equipment management personnel, in which case, such components, if repairable, are recycled, or otherwise handed over to the Plant Work Department.

B. Society

B1. Employment

General Disclosure

Employees are the largest and most valuable assets and the core competitive advantage of the Group. At the same time, employees provide the Group with the driving force for continuous innovation. The Company practices the "people-oriented" business strategy, focusing on the introduction, absorption and adoption of outstanding talents, advanced technology and modern enterprise management methods. We respect and safeguard the legitimate interests of every employee, standardizes labour employment management, and protects employees' occupational health and safety. The Group also enhances democratic management, protects the vital interests of employees, and fully respects and values their enthusiasm, initiative and creativity in order to build harmonious labour relations.

The Group has actively complied with laws and regulations, such as the "Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China", and "Employment Ordinance" of Hong Kong. The Group has established operational mechanisms and documents related to administrative and human resources systems, including the "Recruitment Procedures" and "Employee Manual", to provide employees with a healthy, positive and motivating working atmosphere, and guides employees to actively integrate personal pursuits into the long-term development of the Group.

During the Reporting Period, the Group was not aware of any material non-compliance of laws and regulations in respect to human resources.

Remuneration and Benefits

The Group has established a relatively fair, reasonable, and competitive remuneration system for salary payments to employees based on the principle of fairness, competition, incentives, reasonableness, and legality. The remuneration of the employees of the Group comprises of basic salary, overtime payment, related subsidies, and so on. In addition, the Group conducts annual assessments in accordance with changes in macroeconomic factors (e.g. national policies and price levels), industry and regional remuneration levels, changes in the Group's development strategy, and the overall effectiveness of the Group, and makes corresponding adjustments to staff remuneration.

The Group has signed and executed labour contracts with our employees in accordance with the "Labour Contract Law of the People's Republic of China". The signing rate of the labour contracts is 100%. In accordance with the law, we pay "five social insurance and one housing fund" for employees, namely endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund, to ensure that employees covered by social insurance.

The Group sincerely safeguards the legitimate interests of labourers in accordance with the requirements of the national and local laws and regulations (e.g. the "Labour Law of the People's Republic of China"), respects the rights of employees to rest and leave, and regulates their working hours and their rights for various types of rest times and holidays. All employees of the Company enjoy the benefits of paid marriage leave, paid funeral leave, paid maternity leave, sick leave, work-related injury leave, leave of absence, etc. We follow the "Regulation on Paid Annual Leave of the Employees" (《職工帶薪年休假條例》) and other relevant regulations to implement the paid leave system for employees. Meanwhile, overtime wage is paid for employees' exceeding statutory working hours.

The Group has committed to providing thoughtful and comprehensive employee benefits and actively organizing various activities. On the one hand, it creates a warm family atmosphere with meticulous care to employees. On the other hand, it helps employees to enjoy work-life balance through such benefits. The relevant benefits and activities are as follows:

- Gardening events, activity rooms and other recreational amenities are established in the factory premises and living quarters for our employees to enjoy recreational activities;
- Providing quarters and ancillary living amenities for employees from other provinces; and
- Providing family vacation benefits such as marriage leave and maternity leave so that our employees can spend time with their families.

Recruitment, Promotion and Dismissal

The Group actively implements strategies for strengthening the enterprise by employing talents, and has continuously established and improved its recruitment and selection mechanism. To recruit talents, the Company uses various channels, including talent recruitment fairs, online recruitment, recruitment notices at the corporate gates, recruitment advertisements on public community recruitment bulletin boards, internal referrals and other methods. In the recruitment process, the Group standardizes the hiring procedures and recruitment principles, adheres to the hiring principles of morality, knowledge, ability, experience and fitness applicable to job positions as well as the principles of justice, fairness, equality, and openness, so as to continuously attract talents. We have well-established "Recruitment Procedures" in place, whereby detailing job applications, recruitment procedures, restrictions and responsibilities.

The Group specifies the basis and process of management for staff promotion, transfer and demotion, regulates the departure and dismissal processes, and protects the interests of both employees and the Group. The relevant procedures and detailed rules are listed in the "Employee Manual". We have implemented a fair and open assessment system to provide employees with opportunities for promotion and development based on their work performance and assessment result of practical skills and service performance so as to explore their potential at work.

The Company has three models of resignation, including resignation, unauthorized absence, and dismissal. Definitions regarding these three models and related formalities are detailed in the "Employee Manual". To resign, any employee is required to provide the cause of resignation in an application form, which can be collected from the Human Resources Department and will be submitted to the department head and the Human Resources Department for approval. Upon expiration of the resignation notice period, the Human Resources Department will inform the resigning employee to complete the formalities, and such employee shall immediately return his/her badge to the head of the Human Resources Department for disposal.

Equal Opportunities

The Group strictly complies with national and local government regulations by adopting a fair, just and open recruitment processes and developing the relevant policies to eliminate discrimination in the recruitment process to ensure no discrimination, regardless of race, social status, nationality, religious belief, age, disability, sex, marital status, pregnancy, sex orientation, union member, political association and other factors, allowing them to enjoy fair treatment in every aspect including recruitment, salary, training, promotion, termination of labour contracts, retirement, or other aspects in connection with employment to attract professionals with diverse backgrounds to join the Group. Any employee who is subject to threats, insults, bullies, or harassment (including sexual harassment) may report the same to the employee's representative, or directly file complaints to the management representatives or the general manager, in which case, the Company will take serious approaches to resolve these issues upon receiving the said complaints.

Democratic Engagement

The Group has also been committed to improving its democratic management system. We never oppose the freedom of association among our employees, or organization of and voluntary involvement in the workers' union. A suggestion box is deployed at the staircase of the cafeteria inside the living quarters of the Company, encouraging our employees to freely express their opinions, file complaints, or report acts of terrorism or other actions prejudicing corporate interests, in which case, the whistle-blowers will receive incentives if the matter is verified. We resolve employees' problems in the expression of demand, the handling of contradictions and other issues through various methods, and to ensure employees' rights to participate, know and supervise.

B2. Health and Safety

General Disclosure

The Group recognizes the importance of the health and safety of its employees, and therefore commits itself to providing employees with a healthy, safe and comfortable working environment. We implement the relevant laws and regulations such as the "Labour Law of the People's Republic of China","Production Safety Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", "Fire Protection Law of the People's Republic of China" and "Occupational Safety and Health Ordinance" of Hong Kong..

During the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury, and no claims or compensation were paid to its employees due to such accident. No material non-compliance of laws and regulations relevant to health and safety of employees were found.

Safety Production

Safety Production Management System

The Group has formulated the "EHS Procedures for Environmental Safety and Health Management" and "Policy on Healthy and Safety" to govern the safe production of the Group. We have also established a healthy and safe production policy of "Full Participation, Primary Prevention, Health and Safety, Compliance with Laws and Regulations, and Continuous Improvement" for carrying out comprehensive governance methods, including in-person management, technology-driven precautions, and legal regulations, for the purposes of safety oversight and management. We also infuse all employees with the ideology of "Employees' Lives first, Health First, Safety Production Guarantee First, and Safety Education and Training First" to enhance their sense of responsibility and urgency on safe production. The Group has strengthened safety production supervision and management, defined safety production responsibilities, and implemented various national laws and regulations relating to safety to prevent and reduce safety accidents and ensure the safety of employees' assets and the national assets.

The Group identifies and evaluates the potential hazards affecting the health and safety of employees and customers in the Group's activities, products and services, prioritizes the level of risk, and implements effective control and management, which provides basis for establishing target indicators and preventing hazards. We have always focused on standardizing the management system to regulate the Company's occupational health and safety management. In addition to the "EHS Procedures for Environmental Safety and Health Management", we also formulate the "Administrative Procedures for Emergency Preparation and Response" to ensure that the corresponding countermeasures will be taken to address potential environmental accidents or emergencies. In response to identified potential hazard, the Group takes training and drills to improve the ability of all staffs to respond to emergencies in production and other experimental processes, so that all staffs facing the emergency conditions or accidents can quickly and effectively take emergency measures to reduce the impact of various types of dangers, including injuries to personnel, property losses and adverse effects on the environment. The Group's professional safety supervisors monitor and evaluate safety measures on a regular basis and will immediately correct them to prevent accidents and work injury.

Production Safety

The Group's production facilities are equipped with a huge array of production equipment, including plastic injection machines. To prevent any physical harm to our workers during production activities, we formulate the "Operation Safety Guide for Plastic Injection Machines", whereby detailing the operating procedures and safety warnings to prevent and control work-related injuries caused by plastic injection machines.

We also include procedures in regard to safety protection, production safety, and medical emergency treatment in the relevant chapters and sections of the "Employee Manual". To prevent harms from transmissible blood-borne pathogens or other organisms against our employees facing blood exposure, we formulate the "Procedures for Preventing Transmission of Blood-Borne Pathogen", whereby providing the definition of blood exposure, the responsibilities of relevant personnel, and common medical treatments. In a safe and fast response towards incidents of blood exposure, the abovementioned preventative procedures provide that emergency boxes should be deployed inside the emergency response cabinets installed to each building, and emergency items are listed in the preventative procedures. In case of any shortage of supplies, the infirmary shall be timely notified and restock such supplies.

Safety Production Training and Employee Health Management

The Group creates a good working environment and safe production conditions for employees. We enhance safety inspections, and ensure the safety of production equipment and facilities. Protective facilities, equipment, first aid supplies, and washing and rinsing equipment are purchased and provided to our employees. We further provide employees with production safety education and training and their relevant records are properly maintained, so that they have the necessary production safety knowledge, are familiar with the relevant production safety regulations and operating procedures, and have the necessary safety operation skills for their respective positions. The training covers, including but not limited to, annual production safety training, training on precautions against occupational diseases and hazards, safety training on elevator operations, safety training on cranes, safety training for technicians at the Plastic Injection Department.

In order to prevent occupational diseases and injuries, the Group helps employees understand occupational hazards that may arise from production activities, potential consequences and protective measures. On top of that, the Group provides occupational health tests for employees and retains the "Staff Occupational Health Monitoring Records".

Fire Safety

The Group recognizes the importance of fire safety within the factory premises, designs and conducts production plants and buildings in accordance with the national engineering building fire control standards. Fire-fighting equipment and facilities, including fire hydrants, fire pumps, fire extinguishers, and emergency lights, are installed alongside signs indicating the locations. The Plant Work Department conducts safety inspections over and maintains records of major electrical facilities, main circuits, and storage conditions for flammables to reduce potential hazards.

The factories establish the voluntary fire-fighting brigade and other taskforces, which mainly comprise of the Plant Work Department and the management officers at various departments. At noticeable locations of the factories and office buildings, the factories attach posters regarding lists of crews, task division, the "Evacuation Plan" for fire incidents, and meeting places. To raise the fire safety awareness among our employees, we will organize at least one fire safety drill and maintain a proper record each year. We will also ensure that all relevant departments at our factories maintain contact with the relevant government departments, including fire-fighting, hospitals, and environmental departments, so as to access information related to safety and environmental issues.

B3. Development and Training

General Disclosure

The Group focuses on the construction of an internal management system of training and development for the Group. Through diversified training programs such as induction training, management training, technical skills training and pre-employment training, the Group satisfies the different needs of job duties at all levels and helps its employees to promote their skills. Hence, the Group enhances its sustainable development, and enhances employees' personal growth and development at the same time.

Training Management

The Group's "Human Resources Control Procedures" contains training procedures to regulate our management of employee training. The Human Resources Department will be responsible for collating and preparing the "Annual Training Plan", as well as overseeing its implementation. In addition, fundamental workplace education will be provided. The plant work and Human Resources Departments will be responsible for organizing work related to recruitment, promotion from contractors to regular employees, and performance assessment, and supervise the assessments of training results by the departments that organize special training programs. Furthermore, the Plant Work Department takes the responsibility for safety education and basics training. Various departments will be responsible for training of skills required by their respective employees for their positions, as well as providing teaching materials, courseware and records. The general manager is responsible for approving the "Annual Training Plan".

The training programs of the Group are mainly internal trainings, and the training plan is formulated by the management team on an annual basis. Moreover, a corporate training file has been established. The management will regularly review the effectiveness of different external training courses to help improve the efficiency of the Group's training system. The Group also encourages employees to participate in external training on their own and obtain professional qualifications related to the Group's business.

Training Programs

The Group's training includes graded employee training, special training, skills training, and pre-position training for new hires. The training comprises in-house training supported by external mentors, and adopts the approach of "reaching out to external talents and inviting these talents in". The Company's in-house training will be provided by our relevant management personnel and professional technicians of the Company, while external mentors will be determined by the Plant Work Department and external training institutions in accordance with training contents. In-house training comprises various training sessions, business learning, self-taught sessions, and other forms. Different training targets will receive their respective training programs. The training programs cover business skills and technical issues, which include but are not limited to social etiquette, interpersonal communications, management skills, approaches to manage employee relationship, IPQC testing standards and acceptance procedures, HCF product testing know-how, environmental management training, purchase skills training, and purchase standard training for customer code of ethics. These training programs also include the assessment approaches, including written tests, physical operations and oral tests.

The new employees will receive on-the-job training. The programs cover, including but not limited to, factory-wide safety training; training of corporate regulations and rules, and awareness for counter-terrorism and security threats; and training of HACCP and SSOP know-how, and production safety of plastic injection. If determined as qualified after the tests, these newly hired employees will be officially employed. These programs help them adapt to the work environment and perform their duties as quickly as possible. The Group also provided training for employees in key positions such as technical personnel, security team in the factory, heads of different departments, team leaders, clerks, factory staff and so on.

The Group also recognizes the importance of safety production training to ensure the personal safety of employees. The relevant policies have been described in detail in Aspect B2 headed "Safety Production Training and Employee Health Management".

B4. Labour Standards

General Disclosure

Prevention of Child Labour or Forced Labour

The Group has complied with the "Convention concerning the Abolition of Forced Labour", which governs the employment of labour, the "Labour Law of the People's Republic of China" related to the employment of teenagers under 16 and their legal rights, the "Provisions on the Prohibition of Using Child Labour", and the "Employment Ordinance" of Hong Kong.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations.

The Group strictly prohibits the employment of any child labour and forced labour in its business in Mainland China. The Group clearly stipulates in recruitment guidelines that only employees over the age of 16 can be recruited, and that new employees should provide true and accurate personal data when they join the Group. Recruiters rigorously review the entry data including physical examination certificates, academic credentials, identity cards, and account information. The Group has established a complete recruitment process to examine candidates' background and official reporting procedures to handle any exceptions. It also conducts regular reviews and inspections to prevent any child labour or forced labour in its operation. Teenagers or children under 16 found in the Group as employees should be treated in strict accordance with the "Administrative Procedures Against Child and Minor Labour".

In addition, the Group has established a forty-hour working time. Employees work overtime only in accordance with the principle of voluntariness. Calculation of overtime wage is based on 1.5 times as much as the normal rate. In accordance with the national labour laws, daily overtime will be two hours for the purposes of production requirements, and under special circumstances the overtime cannot exceed three hours, in which case, the monthly overtime cannot exceed 36 hours. No personnel from any department of the Company is permitted to withhold the employees' identity card, security deposit, or salary for any reason, nor is labour in exchange for settling debts permitted. Furthermore, the Group opposes any physical discipline, mental torture, or monetary penalty policy. The Group also prohibits punitive measures, management methods and behaviors such as verbal abuse, corporal punishment, violence, mental oppression, sexual harassment (including inappropriate language, posture and physical contact) and sexual abuse for any reason.

At the same time, the Group also will not appoint such suppliers and contractors who are known to have engaged in child labour or forced labour in their operations to provide products and services.

B5. Supply Chain Management

General Disclosure

In addition to purchasing the raw materials according to the specifications of the required products, the price trend of and the demand for raw materials, the Group also recognizes the importance of the management of potential environmental and social risks in the supply chain. The Group has established a rigorous and regulated procurement system and supplier selection process, and puts forward requirements for suppliers on environmental and social risk control.

Environmental and Social Risk Management of the Supply Chain

We have a well-established purchase system alongside stringent supplier screening procedures, including qualification certification, laboratory testing, production inspections, annual review, and reassessment, all of which will verify the product responsibility of our suppliers to safeguard the quality of raw materials.

The Group purchases polypropylene resins mainly from suppliers located in Hong Kong, and to our best knowledge, they source polypropylene resins which are manufactured in countries including South Korea, the United Arab Emirates and Brazil. We also purchase packaging materials from suppliers located in Mainland China. We believe our good supply chain management represents the key to our business success. On the other hand, we will implement various measures for the supply chain to ensure that compliance with the quality, environment, safety, and social requirements will meet our desired standards. To this end, we formulate the "Procurement Control Procedures" and "Administrative Procedures for Supplier Assessment" to regulate the entire purchase processes and examination procedures for such purchase processes. We will assess the suppliers in terms of their quality, environmental, safety, and social levels. For example, we will assess completeness of internal control systems of various suppliers, including but not limited to ISO9001, ISO14001 and SA8000, while assessing the quality control and quality assurance procedures of the suppliers to safeguard product quality.

The Group obtains certifications or test results from our suppliers showing that the polypropylene resins they supply meet certain safety standards and requirements. Such certifications or test results remain valid for that particular polypropylene resins unless there are changes in the safety standards and requirements. We also obtain the relevant certifications or test results from our suppliers on these new types of polypropylene resins and new safety standards and requirements. Upon discovery of any sub-standard or defective polypropylene resins, we will request for a refund of the purchase price or a set-off of the purchase price of the defective polypropylene resins against our outstanding purchase price with the supplier. For defective packaging materials, we will arrange for return or substitute of the packaging materials with our suppliers.

Apart from environmental risks, we also take measures to examine whether our major suppliers and contractors are in compliance with relevant laws and regulations and other required standards for health, safety, forced labour and child labour, and examine the suppliers' awareness in the above aspects.

B6. Product Responsibility

General Disclosure

The Group recognizes the importance of product quality and corporate reputation. Upholding the quality policy of "Customer-oriented, Quality first; Continuous improvement, Customer satisfaction", we actively monitor the quality of our products and services through internal controls and are committed to producing high quality products that meet international industry standards. We also maintain communication with our customers to ensure customers' needs and expectations are understood and satisfied and get to know customers' level of satisfaction. Thus, we are able to continuously improve our products and services.

The Group takes the initiative to comply with the "Trade Descriptions Ordinance" of Hong Kong, "Product Quality Law of the People's Republic of China", "Law of the People's Republic of China on Protection of Consumer Rights and Interests", "Advertising Law of the People's Republic of China", "Copyright Law of the People's Republic of China", "Patent Law of the People's Republic of China", and "Trademark Law of the People's Republic of China", "Trade Marks Act 1995 (Cth)" and "Copyright Act 1968 (Cth)" in Australia, "Consumer Guarantees Act" and "Fair Trading Act 1986" in New Zealand, "Directive 1999/44/EC of the European Parliament and of the Council", "Directive 85/374/EEC of the EU Council", "General Product Safety Regulations 2005", "German Product Safety Act" and "German Product Liability Act", and "Product Liability Laws" and "Consumer Product Safety Act" in the US, and many other laws and regulations.

During the Reporting Period, the Group was not aware of any material non-compliance with product and service quality-related laws and regulations.

Quality Control

The Group recognizes great importance of the quality control in our productions. We formulate the "Internal Audit Procedures for Quality Control System", whereby establishing the planning, execution, and reporting procedures of internal audit procedures for the quality management system. At least one internal audit over the quality control system will be conducted each year to ensure that the operation of such system complies with the quality management standards for the purposes of achieving constant improvement in the management system. To facilitate labeling, cataloguing, collection, documentation, inspection, storage, safekeeping, and processing of quality records, we have formulated the "Quality Record Control Procedures". We established the "Finished Product Inspection Guide", whereby explicitly listing defect items and descriptions of faulty issues arising from the inspection over physical appearance, functional performance, and weights for easy reference during our quality inspection. In addition, we established the "Control Procedures for Product Labeling and Traceability", ensuring that the processing and quality status of products at different stages, including the stages of incoming materials, production processes, and shipment of finished products at our factories, can be effectively identified, and wherever necessary, be traced.

We have specifically formulated the "Standard Inspection Procedure" (SIP) to ensure that the quality of incoming materials will meet the specification requirements of customers and the Company so that quality risks can be reduced and the quality assurance system can be improved. All materials will be sampled and inspected in accordance with the relevant standards, in which case, any non-compliant material failing the acceptance standards will be rejected, and the "Incoming Material Inspection Report" will be produced and approved by the competent officer before such material is returned to the supplier. The standards for accepting incoming materials shall be stricter than or equal to the acceptance standards of our customers in regard to finished products. As a result, where the customers set higher acceptance standards for finished products than the abovementioned standards, or where the customers have additional requirements, the customers' standards shall prevail. Items subject to inspection comprise of, including but not limited to, paper boxes or paper cover, stickers, linerboard or color boxes, plastic raw materials, toners, springs (hardware), plastic bags, silicone rings, glasses, ceramics, thermal bags, and sealing tapes. Besides the abovementioned guide, we also have the "Specification in Process" (SIP), whereby inspecting and controlling unfinished products over the course of production in terms of physical appearance, color, try-out packaging, deformation, and weight.

In accordance with the ISO 9001 requirements, we have implemented the quality control measures during the entire production process from quality control over incoming materials to delivery of finished products. Apart from the documents as referred in the preceding paragraph, we also formulate the "Management, Assessment and Control Procedures for Quality Control System" and "Quality Manual". On one hand, the operating procedures in regard to regular assessments over management systems are established to safeguard the applicability, sufficiency, and effectiveness of the systems so that the management systems continue to improve. On the other hand, on the external front, the Company's quality control system demonstrates that it meets the standards of the selected quality control system; on the internal front, these procedures and manuals serve as the basis for controlling various quality-driven activities so as to secure customer trust and satisfy customers by delivering products that meet or excel the expected quality standard.

As a recognition of the quality of our products, our "*clipfresh*" products were awarded the Hong Kong Q-Mark Product Certificate by the Hong Kong Q-Mark Council in September 2017. We also obtained the Hong Kong Top Brand Awards 2016 for our brand "*clipfresh*" as awarded by the Hong Kong Brand Development Council in January 2017. Our quality control manager is in charge of the overall quality control of the production. Our quality control staff are mandated to identify any quality control issues and provide solutions to the production team to address the quality control issues. Our production team with our quality control staff are tasked with examination of our products at each key stage of production to ensure that the quality of our products is satisfactory to our internal standards and customers' requirements. Members of our production team and quality control staff are trained to look out for certain quality control issues.

During the production process, our quality control personnel conduct random sample check on the products covering aspects of quality and appearance. Those products that fail to meet the quality standards are disposed of and are subject to failure analysis to identify the root cause of failures and determine corrective actions. Our production personnel and quality control personnel meet regularly to discuss the causes of the quality problems of our goods and the corresponding solution to improve and ensure the quality of our products.

Before packaging and delivery of our finished products, we conduct final control check to ensure that outgoing products comply with the relevant standards and specifications. We require our quality control personnel to conduct random visual or standardised inspection and safety testing on our finished products in accordance with our internal quality control policy. The finished products must pass our final quality testing before packaging. Those products that fail to meet the quality standard will be subject to disposal and those which meet the requisite standard will be subject to final inspection by our customers, if necessary.

Disposal of non-compliant products

We have established the "Control Procedures for Non-compliant Products" to ensure that all non-compliant products are under control and will not be mistakenly used. The Production Department is responsible for disposing non-compliant products, analyzing the causes of such non-compliance, and making improvements, while the Engineering Department will assist the Production Department in analyzing the causes of such non-compliance. On the other hand, the Quality Department is responsible for identifying non-compliant products, attaching clear labels, and following up the improvement results, while the Warehousing Department is in charge of isolating and storing non-compliant products. In case any non-compliant product is identified during our assessment, we will label, record, and isolate it. Based on the assessment results, non-compliant products will be returned, or selected by the suppliers or our in-house personnel for processing or reworking. Upon being reworked or repaired, the non-compliant products are subject to another quality inspection. If determined non-compliant, rectification, wherever necessary, shall be made in accordance with the "Control Procedures for Corrective Actions".

To ensure effective rectification and implement corrective actions, we have established the "Control Procedures for Corrective Actions". The Chief Executive is responsible for providing the required resources, as well as carrying out the duties of oversight, coordination, and rectification, and the Quality Department is responsible for making plans for constant improvement in the systems and products. Upon identifying the existent or potential quality issues, all departments are responsible for making corresponding rectifications, preventing reoccurrences, and making improvements. Besides theses, they take the responsibility for following up and verifying the improvement effectiveness. The major measures of making rectification and constant improvement include technological transformation, optimization of processing, resource reallocation, increasing the quality awareness of the employees and their ability, enhancing internal management systems, and strengthening measurement and monitoring efforts.

Product design and development

To ensure that the design and development of our products will meet the requirements of the contracts, customers, and production, and are even better than the relevant laws, regulations, and standards, we have formulated the "Control Procedures for Product Design and Development" that will control the entire processes of designing and developing products. The control procedures detail various procedures, management and related documents, including the design and development proposals, the design and development inputs, design assessments, design and development planning, design process of packaging materials, confirmation of samples, product design and development outputs, BOM and release of drawing data to production lines, design updates for official release of production drawing data, and management of design and development technology documents.

Customer Service and Privacy

The Group recognizes the great importance of customer services, and believes that customer satisfaction plays a critical factor in the production and business sustainability of the Group. To this end, the Group has formulated the "Customer Complaint Handling Procedures" to ensure that rectification and corrective actions as requested by customers will be correctly carried out by the relevant department to their satisfaction. Set out below are the Group's procedures for handling complaints:

1. Upon receiving any customer complaint or feedback on improvement (including verbal customer complaints and email complaints or feedback on improvement), personnel from the Business Department shall complete the "Customer Complaint Handling Form" or forward the email message containing customer complaints to the Quality Department for handling.

2. Upon receiving the "Customer Complaint Handling Form" or email messages containing customer complaints from the Business Department, the Quality Department shall conduct analyses by timely launching an investigation, and determines who or what is held accountable before passing on the "Customer Complaint Handling Form" or the email messages to the head of the responsible department. If the Quality Department determines that our factories are not held accountable, the Quality Department will advise the Business Department to issue responses or issue direct responses to the customers.

3. Upon receiving the "Customer Complaint Handling Form", the relevant responsible department shall record real causes of such complaints in accordance with the requirements under the "Control Procedures for Corrective actions", and produce and pass on the "corrective actions" to the related division for improvement.

4. The relevant responsible department shall duly complete and submit the "Customer Complaint Handling Form" to the senior management of the Company for approval, and subsequently the business department shall directly relay such information to the customers. Where timely improvements cannot be made to customer complaints, or their causes or vesting of accountability remain uncertain, the Quality Department will convene a special meeting with the relevant department(s) to determine the causes of customer complaints and the effectiveness of countermeasures, the finding of which will be recorded in the "Customer Complaint Handling Form" and submitted to the senior management of the Company for approval.

5. The head of the Business Department will timely make responses to the customers with the approved "Customer Complaint Handling Form", in which case, where the disagreement remains, both parties will continue negotiations until an agreement is reached.

In addition, the Group manages customer profiles on a prudent and meticulous basis to prevent the divulgence of customer privacy. Customer information and data is treated as part of the Group's resources, sales, sharing, or disclosure of which is not permitted regardless of any purpose. Each employee is required to safeguard customer information and data in accordance with the corporate regulations. We have formulated the "Computer Management and Information Security Policy", whereby regulating the management of and access to the Group's information and data to prevent the divulgence of customer information.

<u>*Intellectual Property Rights*</u>

For the purposes of effective management of intellectual property rights of the Group, we have formulated the "Control Procedures for Intellectual Property Right", whereby stipulating all matters applicable to intellectual property rights of the Company, including trademarks, patents, internet domain names, and copyrights. The "Control Procedures for Intellectual Property Rights" stipulates the procedures of registering intellectual property rights, as well as the methods and procedures of safeguarding intellectual property rights of the Group. Where we take note of infringements by others upon intellectual property rights of the Group, including malicious registration or false use of trademarks, the Group will consult the relevant lawyers and special consultants on the implementation of safeguards for the intellectual property rights of the Company, including appeals and dismissals. In case of infringements upon our intellectual property rights, we will file litigation to the court in accordance with the Article 213 of the "Criminal Law of the People's Republic of China" for the purposes of safeguarding the legitimate rights and interests of those intellectual property rights as held by the Group. In addition, we will avoid infringements upon the intellectual property rights of others. In this regard, we will make inquiries into patents with respect to products of similar types, or texts, graphics, or their combinations similar to or analogous to trademarks used or registered for our service projects, while conducting analyses over products or technical functions of analogous or similar types, as well as their patents, so that infringements upon these intellectual property rights can be avoided.

<u>*Advertising and Labeling*</u>

We have appointed a professional sales and marketing team to continue the promotion of our "*clipfresh*" brand, and take further steps to promote the market awareness of the "*clipfresh*" brand by utilizing various media channels, including placing advertisements on the internet and participating in trade fairs. Over the course of promotion, we strictly require our sales and marketing team to comply with the relevant laws and regulations governing use of advertisements and labels in order to prevent any form of false advertisement.

B7. Anti-Corruption

General Disclosure

<u>*Anti-Corruption*</u>

The Group believes that a corporate culture of high integrity is the key to our continued success. Therefore, we highly recognize the importance of anti-corruption work, system and construction. Remaining committed to building an internal management environment that pursues the practices of fairness, integrity, openness, transparency, standardization, and efficiency, the Group requires our employees, particularly the management, to uphold honest, fiduciary, and incorruptible practices as part of the fundamental code of conduct, and absolutely prohibits any malpractices and corruption, graft and acceptance of bribes, speculative practices, intentional omissions, and abuse of power to seek personal gains, in which case, severe punishment measures will be taken if such practices are identified. We strictly comply with the related laws and regulations, including but not limited to, the "Company Law of the People's Republic of China", "Bidding Law of the People's Republic of China", "Criminal Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China" and "Interim Provisions on Banning Commercial Bribery", and "Prevention of Bribery Ordinance" of Hong Kong.

During the Reporting Period, the Group did not notice any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering.

The Group is also acutely aware of potential acts of bribery and graft during the purchase process, so we have formulated the relevant regulations and policies to address such issues. A description of such regulations and policies is referred to Aspect B5 headed "Supply Chain Management".

Whistleblowing System

The Group has established a whistleblowing system to establish and maintain a clean and transparent culture of the Group. The whistleblowing system allows all employees to report anonymously or in secrecy directly to the Audit Committee or the Board or members authorized by the Board (such as members of the Audit Committee) such acts involving negligence, corruption, bribery, management overriding and other misconducts. The Group will address the reports promptly, fairly and confidentially. On the other hand, the whistleblowing system also safeguards the confidentiality of the identity of a whistleblower, in which case, the Board or the members of the Audit Committee authorized by the Board are required to observe the principle of confidentiality without disclosing the cases as reported by such employees and the issues in question, or divulging pending cases. Meanwhile, whistle-blowers will not be treated unfairly because of these reports, the whistle-blowers will not face unfair dismissal, unwarranted disciplinary actions, etc.

Publicity and Education

In addition, the Group has been adopting the following education measures to promote anti-corruption campaigns and cultivate a culture of anti-corruption within the Group:

- Promoting the code of conduct of integrity and anti-commercial bribery; and
- Providing training of anti-corruption and anti-bribery procedures to all factory employees.

B8. Community Investment

General Disclosure

Corporate Social Responsibility

The Group believes that companies represent social cells that grow with the nurturing of social maternity, while shouldering the responsibility of giving back to the communities. As a result, we continue to fulfil our corporate social responsibility as part of our ongoing contributions to the communities amid our commitments to advancing our business development and seeking better returns for our shareholders. We made donations to charity institutions and sponsored various corporate charity events, including distribution of festive gifts to senior citizens during the Lunar New Year. We also participated in charity events staged by various institutions, including but not limited to charity campaigns organized by Pok Oi Hospital, The Community Chest of Hong Kong, and other institutions; Shanghai Commercial Pok Oi Cycle for Millions 2018; food box projects sponsored by Food Angel; and FOOD-CO Food Carnival. Despite charity work being our primary objective, these charity events also provided us with precious opportunities to promote our brand, and enhanced our brand image of shouldering social corporate responsibility among the public.

The Group hopes to foster a sense of social responsibility among its employees. Therefore, it has been encouraging employees to participate in charity activities during their working and personal time to make greater contributions to the community. The Group encourages our employees to participate in social charity and fundraising activities, including visits to nursing homes, orphanages, and blood donations, to convey their message of community care. The Group believes these engagements will not only improve the employees' moral standards and personal character, but also deliver the message of care and love to those in need. We believe that through directly participating in these activities that contribute to the community, our staff could build up positive value and eventually be a socially responsible citizen.

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Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources	P. 55
KPI A3.1 ("Comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources	P. 55
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) 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, antidiscrimination, and other benefits and welfare.	Employment	P. 56
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) 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.	Health and Safety	P. 58

Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	P. 60
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards	P. 62
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	P. 62
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	P. 63
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	P. 68
Aspect 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	P. 69

Deloitte. 德勤

To the Shareholders of Sun Cheong Creative Development Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sun Cheong Creative Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 77 to 147, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified the valuation of inventories as a key audit matter due to the significance of the balance to the consolidated statement of financial position as a whole, estimation uncertainty and the management judgment involved in the estimation of the net realisable values. As disclosed in note 18 to the consolidated financial statements, the inventories are stated at the lower of cost and net realisable value, amounting to HK$29,805,000, which represents approximately 5.3% of the Group's total assets. As disclosed in note 4 to the consolidated financial statements, the management identifies aged inventories with reference to aging analysis and determines the net realisable value of inventories by considering the saleability of inventories based on current market demand and future sales plan.	Our procedures in relation to valuation of inventories included: • Obtaining an understanding of the inventory impairment policies adopted by the management and determining whether controls have been implemented; • Testing the accuracy of the aging analysis of the inventories to supporting documents, on a sample basis; • Tracing a selection of inventories with subsequent sales to the sales invoices to assess whether the net realisable value of the inventories is higher than cost of the inventories; • Tracing a selection of raw materials and work in progress with subsequent consumption to the inventories consumption report; and • Inquiring the management and evaluating whether the basis of aged inventories subject to impairment identified by management based on the aging analysis, current market demand and future sales plan is reasonable.

Other Information

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises 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.

Responsibilities of Directors and Those Charged with Governance 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in the independent auditor's report is David Leung Ho Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	5	**340,972**	325,814
Cost of sales		**(220,857)**	(212,937)
Gross profit		**120,115**	112,877
Other income	6	**833**	446
Reversal of impairment losses, net	8	**2,443**	–
Other gains and losses	7	**6,533**	(3,231)
Selling expenses		**(22,504)**	(21,653)
Administrative expenses		**(37,254)**	(31,706)
Listing expenses		**(13,436)**	(10,205)
(Other expenses) reversal of other expenses	10	**(2,330)**	667
Finance costs	9	**(9,724)**	(8,201)
Profit before tax		**44,676**	38,994
Income tax expense	11	**(10,839)**	(11,583)
Profit for the year	12	**33,837**	27,411
Other comprehensive (expense) income			
Exchange differences arising on translation of foreign operations which may be reclassified subsequently to profit or loss		**(756)**	1,062
Total comprehensive income for the year		**33,081**	28,473
Profit for the year attributable to:			
Owners of the Company		**33,837**	27,411
Non-controlling interests		**–**	–
Profit for the year		**33,837**	27,411
Total comprehensive income (expense) attributable to:			
Owners of the Company		**33,375**	28,084
Non-controlling interests		**(294)**	389
Total comprehensive income		**33,081**	28,473
EARNINGS PER SHARE			
Basic (HK cents)	14	**7.73**	6.77

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**94,932**	52,102
Rental deposits	17	**2,311**	2,043
Deposits paid for acquisition of property, plant and equipment		**53,722**	997
Deferred tax assets	27	**–**	95
		150,965	55,237
CURRENT ASSETS			
Inventories	18	**29,805**	18,277
Trade and other receivables	19	**134,372**	54,078
Amount due from a director	20	**–**	22,052
Restricted bank deposits	21	**71,674**	92,262
Bank balances and cash	22	**178,139**	124,705
		413,990	311,374
CURRENT LIABILITIES			
Trade and other payables	23	**74,260**	61,152
Tax payable		**27,253**	29,736
Bank and other borrowings	25	**221,974**	177,999
Bank overdrafts	25	**5,049**	1,937
Contract liabilities	24	**1,488**	1,603
Obligations under finance leases	26	**2,487**	566
		332,511	272,993

	NOTES	2018 HK$'000	2017 HK$'000
NET CURRENT ASSETS		**81,479**	38,381
TOTAL ASSETS LESS CURRENT LIABILITIES		**232,444**	93,618
NON-CURRENT LIABILITIES			
Bank and other borrowings	25	**6,159**	1,211
Obligations under finance leases	26	**252**	613
Deferred tax liabilities	27	**355**	231
		6,766	2,055
NET ASSETS		**225,678**	91,563
CAPITAL AND RESERVES			
Share capital	28	**5,400**	–
Reserves		**214,957**	85,948
Equity attributable to owners of the Company		**220,357**	85,948
Non-controlling interests		**5,321**	5,615
Total equity		**225,678**	91,563

The consolidated financial statements on pages 77 to 147 were approved and authorised for issue by the board of directors on 26 March 2019 and are signed on its behalf by:

Mr. Tong Ying Chiu
DIRECTOR

Mr. Tong Bak Nam Billy
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital reserve (note b) HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	–	13,771	(15,512)	(854)	70,459	67,864	5,226	73,090
Profit for the year	–	–	–	–	27,411	27,411	–	27,411
Other comprehensive income for the year	–	–	–	673	–	673	389	1,062
Total comprehensive income for the year	–	–	–	673	27,411	28,084	389	28,473
Dividends recognised as distribution (note 15)	–	–	–	–	(10,000)	(10,000)	–	(10,000)
At 31 December 2017	–	13,771	(15,512)	(181)	87,870	85,948	5,615	91,563
Adjustments (see note a, note 2)	–	–	–	–	(2,623)	(2,623)	–	(2,623)
At 1 January 2018 (restated)	**–**	**13,771**	**(15,512)**	**(181)**	**85,247**	**83,325**	**5,615**	**88,940**
Profit for the year	**–**	**–**	**–**	**–**	**33,837**	**33,837**	**–**	**33,837**
Other comprehensive expense for the year	**–**	**–**	**–**	**(462)**	**–**	**(462)**	**(294)**	**(756)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**(462)**	**33,837**	**33,375**	**(294)**	**33,081**
Dividend recognised as distribution (note 15)	**–**	**–**	**–**	**–**	**(30,000)**	**(30,000)**	**–**	**(30,000)**
Issue of shares upon listing (note 28)	**5,400**	**143,100**	**–**	**–**	**–**	**148,500**	**–**	**148,500**
Transaction costs attributable to issue of shares	**–**	**(14,843)**	**–**	**–**	**–**	**(14,843)**	**–**	**(14,843)**
At 31 December 2018	**5,400**	**142,028**	**(15,512)**	**(643)**	**89,084**	**220,357**	**5,321**	**225,678**

Notes:

a. *Upon the adoption of Hong Kong Financial Reporting Standards ("HKFRS") 9 "Financial Instruments" on 1 January 2018, the accumulated impact of HK$2,623,000 was recorded as an adjustment to the retained profits as at 1 January 2018, which represents impairment loss allowance.*

b. *Capital reserve represents the amounts arising on the Group reorganisation underwent prior to the listing of the Company's shares on the Main Board of the Stock Exchange in 2018. Details were set out in the Company's prospectus dated 21 September 2018.*

Consolidated Statement of Cash Flows

For the year Ended 31 December 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**44,676**	38,994
Adjustments for:		
Gain on release of financial guarantee contracts	**(22)**	(555)
Depreciation of property, plant and equipment	**14,186**	11,492
Interest income	**(115)**	(331)
Finance costs	**9,724**	8,201
Reversal of impairment losses, net	**(2,443)**	–
Operating cash flows before movements in working capital	**66,006**	57,801
(Increase) decrease in inventories	**(11,528)**	4,256
Increase in trade and other receivables	**(85,666)**	(9,480)
Increase in trade and other payables	**16,520**	11,170
(Decrease) increase in contract liabilities	**(115)**	605
Cash (used in) generated from operations	**(14,783)**	64,352
Hong Kong Profits Tax paid	**(11,637)**	(3,800)
The PRC Enterprise Income Tax ("EIT") paid	**(1,492)**	(695)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(27,912)**	59,857
INVESTING ACTIVITIES		
Repayment from related companies	**24,295**	162,426
Advance to related companies	**(61,983)**	(230,440)
Placement of restricted bank deposits	**(19,683)**	(62,055)
Withdrawal of restricted bank deposits	**40,271**	72,273
Proceeds from disposal of property, plant and equipment	**–**	166
Deposits paid for acquisition of property, plant and equipment	**(52,725)**	–
Purchase of property, plant and equipment	**(51,613)**	(7,430)
Interest received	**115**	331
Repayment from a director	**164,529**	314,495
Advance to a director	**(125,967)**	(253,897)
NET CASH USED IN INVESTING ACTIVITIES	**(82,761)**	(4,131)

	2018 HK$'000	2017 HK$'000
FINANCING ACTIVITIES		
New bank and other borrowings raised	**404,577**	438,992
Repayment of bank and other borrowings	**(355,654)**	(465,877)
Interest paid	**(9,724)**	(8,201)
Repayment of obligations under finance leases	**(1,880)**	(1,249)
Dividend paid	**(9,981)**	(1,734)
Transaction costs paid for issuance of shares	**(14,843)**	(1,181)
Proceeds from issue of shares upon listing	**148,500**	–
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**160,995**	(39,250)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**50,322**	16,476
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**122,768**	106,292
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**173,090**	122,768
Represented by		
Bank balances and cash	**178,139**	124,705
Bank overdrafts	**(5,049)**	(1,937)
	173,090	122,768

1. General

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 March 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Stock Exchange on 4 October 2018. Its parent is Uni-Pro Limited (incorporated in the British Virgin Islands) and its ultimate parent is Sun Cheong Creative Development Limited (incorporated in Hong Kong). Its ultimate controlling party is Mr. Tong Ying Chiu ("Mr. Tong") and Ms. Ng Siu Kuen Sylvia ("Ms. Ng"), spouse of Mr. Tong (collectively referred to as the "Controlling Shareholders"). Mr. Tong is the Chairman and one of the executive directors of the Company while Ms. Ng is also an executive director of the Company. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company referred to as the "Group") are designing, developing, manufacturing and selling plastic household products.

The functional currency of the Company is United States Dollar ("US$"), as the sales activities of the Group are mainly denominated in US$ and the presentation currency of the Group is Hong Kong Dollar ("HK$"), as the Directors consider HK$ can provide more meaningful information to the Company's investors.

2. Application of New and Amendments to HKFRSs

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Group has consistently applied all the new and amendments to HKFRSs that are effective for the Group's accounting period beginning on 1 January 2018, for the years ended 31 December 2017 and 2018, except that the Group has applied HKFRS 9 *Financial Instruments* on 1 January 2018 as detailed below and HKAS 39 *Financial Instruments: Recognition and Measurement* for the year ended 31 December 2017.

2. Application of New and Amendments to HKFRSs (Continued)

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECL") for financial assets and financial guarantee contracts.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39.

<u>Financial Instruments: Recognition and Measurement</u>

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

The table below illustrates the classification and measurement of financial assets and financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

2. Application of New and Amendments to HKFRSs (Continued)

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

HKFRS 9 Financial Instruments (Continued)

Financial Instruments: Recognition and Measurement (Continued)

Summary of effects arising from initial application of HKFRS 9

		Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 HK$'000	Additional loss allowance recognised under HKFRS 9 HK$'000	New carrying amount under HKFRS 9 HK$'000
1.	Trade and other receivables (note 19)	Loans and receivables	Financial assets at amortised cost	17,277	(66)	17,211
2.	Amount due from a director (note 20)	Loans and receivables	Financial assets at amortised cost	22,052	(23)	22,029
3.	Restricted bank deposits (note 21)	Loans and receivables	Financial assets at amortised cost	92,262	(973)	91,289
4.	Bank balances and cash (note 22)	Loans and receivables	Financial assets at amortised cost	124,705	(1,561)	123,144
5.	Trade and other payables (note 23)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(61,152)	–	(61,152)
6.	Bank and other borrowings (note 25)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(179,210)	–	(179,210)
7.	Bank overdrafts (note 25)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(1,937)	–	(1,937)
	Total			13,997	(2,623)	11,374

2. Application of New and Amendments to HKFRSs (Continued)

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

HKFRS 9 Financial Instruments (Continued)

Financial Instruments: Recognition and Measurement (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables are assessed individually for each debtor.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including amount due from a director, restricted bank deposits, and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

For outstanding financial guarantees to banks in respect of banking facilities granted to related parties of an aggregate amount of HK$34,000,000, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is assessed on 12m ECL basis.

As at 1 January 2018, additional credit loss allowance of HK$2,623,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset. None of the respective asset has ending impairment allowances as at 31 December 2017 under HKAS 39.

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

2. Application of New and Amendments to HKFRSs (Continued)

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

Except as described below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 *Revenue from Contracts with Customers* as to whether the transfer of the relevant asset should be accounted as sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

2. Application of New and Amendments to HKFRSs (Continued)

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

HKFRS 16 Leases (Continued)

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$29,322,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$2,311,000 as disclosed in note 17 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. Significant Accounting Policies (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. Significant Accounting Policies (Continued)

BASIS OF CONSOLIDATION (Continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

INTEREST IN A SUBSIDIARY

Investment in a subsidiary included in the Company's statement of financial position is stated at cost less any identified impairment loss. The results of subsidiary are accounted for by the Company on the basis of dividends received or receivable.

REVENUE RECOGNITION

Revenue is recognised to depict the transfer of promised goods to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of services) that is distinct or a series of distinct goods or services that are substantially the same.

3. Significant Accounting Policies (Continued)

REVENUE RECOGNITION (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Specifically, revenue is recognised in profit or loss as follows:

Revenue from the sale of goods is recognised at a point in time the control of the goods has transferred, i.e. when the goods have been delivered to customers. The Group does not give any right of return or warranties to its customers. The period between payment and transfer of associated goods in all sales contracts are less than one year and therefore the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as obligations under finance leases.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. Significant Accounting Policies (Continued)

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are expensed in the period in which they are incurred.

BORROWING COSTS

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

All other borrowing costs are recognised as and included in finance costs in the profit or loss in the period in which they are incurred.

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. Significant Accounting Policies (Continued)

RETIREMENT BENEFIT COSTS

Payments to the defined contribution retirement benefit plans, including government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered services entitling them to the contributions.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax asset and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss.

3. Significant Accounting Policies (Continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

3. Significant Accounting Policies (Continued)

IMPAIRMENT LOSSES ON TANGIBLE ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each assets in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero.

The amount of impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (UNDER HKFRS 9)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts from with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirely at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset 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 are solely payments of principal and interest on the principal amount outstanding.

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (UNDER HKFRS 9) (Continued)

Financial assets (Continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the gross carrying amount on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income" line item.

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (UNDER HKFRS 9) (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 and financial guarantee contract. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for each debtor.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (UNDER HKFRS 9) (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument 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 flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (UNDER HKFRS 9) (Continued)

Financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated 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, discounted at the original effective interest rate.

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (UNDER HKFRS 9) (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities subsequently measured at amortised cost

All of the Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (UNDER HKFRS 9) (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contract

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value.

Subsequent to initial recognition, the amount initially recognised as financial guarantee obligations is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECL on the financial guarantees is determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECL, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12m ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in above apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (UNDER HKAS 39 AND BEFORE THE ADOPTION OF HKFRS 9 AS AT 1 JANUARY 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a subsidiary, amount due from a director, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (UNDER HKAS 39 AND BEFORE THE ADOPTION OF HKFRS 9 AS AT 1 JANUARY 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (UNDER HKAS 39 AND BEFORE THE ADOPTION OF HKFRS 9 AS AT 1 JANUARY 2018) (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, bank and other borrowings and bank overdrafts) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (UNDER HKAS 39 AND BEFORE THE ADOPTION OF HKFRS 9 AS AT 1 JANUARY 2018) (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair value and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

VALUATION OF INVENTORIES

The Group regularly reviews whether there are any indications of write-down of inventories if the carrying amount of an inventory is lower than its net realisable value. The Group tests semi-annually for the write-down of inventories. The net realisable value have been determined based on the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The Group identifies aged inventories with reference to aging analysis and determines the net realisable value of inventories by considering the saleability of inventories based on current market demand and future sales plan. The Group also assessed the net realisable value by taking into account whether the cost of inventories may be recoverable by assessing if those inventories are damaged, wholly or partially obsolete, or if their selling prices have declined.

As at 31 December 2018, the carrying amount of inventories amounted to HK$29,805,000 (2017: HK$18,277,000). No impairment allowance was made for both years ended 31 December 2018 and 2017.

ESTIMATED USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

In applying the accounting policy on property, plant and equipment with respect to depreciation, the Directors estimate the useful lives of various categories of property, plant and equipment according to the experiences over the usage of them and also by reference to the relevant industrial norm. If the actual useful lives of them are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining useful life.

As at 31 December 2018, the carrying amount of property, plant and equipment is HK$94,932,000 (2017: HK$52,102,000).

4. Key Sources of Estimation Uncertainty (Continued)

ESTIMATED ALLOWANCE FOR DOUBTFUL DEBTS

Before the adoption of HKFRS 9, trade and other receivables, amount due from a director, restricted bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables, amount due from a director, restricted bank deposits and bank balances. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectible. The amount of the allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. Allowance for these receivables is made based on evaluation of collectability by reference to the estimation of the future cash flows discounted at an effective interest rate to calculate the present value. If the actual future cash flows were less than expected and where events or changes in circumstances indicate the balances may not be collectible, an allowance may be required.

As at 31 December 2017, the carrying amount of financial assets (including trade and other receivables, amount due from a director, restricted bank deposits and bank balances and cash) measured at amortised cost amount to HK$256,296,000, without allowance for doubtful debt.

Since the adoption of HKFRS 9 on 1 January, 2018, management estimates the amount of loss allowance for ECL on debt instruments (including trade and other receivables, amount due from a director, restricted bank deposits and bank balances) that are measured at amortised cost based on the credit risk and other factors that are specific to the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 1 January 2018 and 31 December 2018, the carrying amount of financial assets (including trade and other receivables, amount due from a director, restricted bank deposits and bank balances) measured at amortised cost amounted to HK$253,673,000 (net of loss allowance of HK$2,623,000) and HK$281,905,000 (net of loss allowance of HK$180,000) respectively.

4. Key Sources of Estimation Uncertainty (Continued)

FAIR VALUE OF THE FINANCIAL GUARANTEE CONTRACTS

For the fair value of the financial guarantee contracts provided to the counterparties, assumptions are made by the Directors at date of initial recognition, based on the guaranteed amount, the credit spread of the guaranteed counterparties and the estimated default probability with reference to their credit ratings. The credit spread and risk of default were, therefore, of significant estimation uncertainty. If the risk of default was significantly different from the estimated default probability, the fair value of the financial guarantee contracts at the date of initial recognition would be significantly changed.

Before the adoption of HKFRS 9, the financial guarantee contracts are subsequently measured at the higher of the amount of obligation under the contract as determined in accordance with HKAS 37 and the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Since the adoption of HKFRS 9, financial guarantee contract shall subsequently measure at the higher of the amount of loss allowance determined based on the measurement of ECL and the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

As at 31 December 2018, the carrying amount of financial guarantee obligations amounted to HK$542,000 (2017: HK$564,000).

5. Revenue and Segment Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the Directors (the "CODM"), in order to allocate resources to segments and to assess their performance. During the year, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in designing, developing, manufacturing and selling plastic household products. Therefore, the management considers that the Group only has one operating segment. The Group mainly operates in Hong Kong and the PRC and the Group's non-current assets are mainly located in the PRC.

The CODM reviews the overall results and financial position of the Group as a whole based on the same accounting policies set out in note 3 and no further segment information is presented.

An analysis of the Group's revenue during the year is as follows:

TYPES OF GOODS OR SERVICE

	2018 HK$'000	2017 HK$'000
Sale of plastic household products	**340,972**	325,814

GEOGRAPHICAL INFORMATION

The Group's revenue is mainly derived from customers located in Australia, Hong Kong, UK, USA, New Zealand and Germany. The Group's revenue by the geographical locations of the customers, determined based on the destination of goods delivered, irrespective of the origin of goods, is detailed below:

	2018 HK$'000	2017 HK$'000
Australia	**253,840**	217,938
Hong Kong	**22,618**	21,389
UK	**7,782**	12,908
USA	**10,365**	4,533
New Zealand	**15,894**	17,523
Germany	**2,501**	18,114
Others	**27,972**	33,409
	340,972	325,814

5. Revenue and Segment Information (Continued)

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers of corresponding years contributing over 10% of the total sales of the Group are as follows:

	2018 **HK$'000**	2017 HK$'000
Customer A	**162,819**	157,540
Customer B	**79,991**	59,281

6. Other Income

	2018 **HK$'000**	2017 HK$'000
Bank interest income	**115**	331
Others	**718**	115
	833	446

7. Other Gains and Losses

	2018 **HK$'000**	2017 HK$'000
Gain (loss) on foreign exchange	**6,706**	(4,029)
Gain on release of financial guarantee contracts	**22**	555
Government subsidies	**–**	499
Others	**(195)**	(256)
	6,533	(3,231)

8. Reversal of Impairment Losses, Net

	2018 HK$'000	2017 HK$'000
Trade and other receivables	**(114)**	–
Amount due from a director	**23**	–
Restricted bank deposits	**973**	–
Bank balances and cash	**1,561**	–
	2,443	–

Details of impairment assessment for the year ended 31 December 2018 are set out in note 34.

9. Finance Costs

	2018 HK$'000	2017 HK$'000
Interest expenses on:		
– bank and other borrowings and overdrafts	**9,506**	8,100
– finance leases	**218**	101
	9,724	8,201

10. (Other Expenses) Reversal of other Expenses

	2018 HK$'000	2017 HK$'000
Reversal of provision of compound penalty (note 11)	**–**	2,097
Surcharge levied on tax payment by instalments	**(2,330)**	(1,430)
	(2,330)	667

11. Income Tax Expense

	2018 HK$'000	2017 HK$'000
Current tax:		
– Hong Kong Profits Tax	**7,133**	6,587
– PRC EIT	**3,487**	2,453
Underprovision in prior years:		
– Hong Kong Profits Tax	**–**	1,911
	10,620	10,951
Deferred tax (note 27)	**219**	632
	10,839	11,583

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessed profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

In July 2017, the IRD conducted a tax audit on a subsidiary of the Company in respect of its Hong Kong tax affairs, mainly on the source of profits generated from certain overseas customers. The Group has provided various information and supporting documents to address the enquiries raised by the IRD and to defend its tax position.

In the opinion of the Directors, the operations pertaining to the profits in question were undertaken outside Hong Kong and no Hong Kong profits tax should be payable. However, having considered the different opinion of the IRD on such controversial issue, and in order to avoid a further protracted exchange of correspondences, which may not be the best interest from the commercial perspective, the Directors decided to take a compromised settlement approach to resolve the case. Against this background and following a series of subsequent negotiations with the IRD, a compromised settlement was reached with the IRD on 17 July 2017 and a sum of HK$6,550,000 as compound penalty was agreed for the case. The Group has made provisions of HK$8,647,000 for the compound penalty (which was presented as other expenses) for the tax audit prior to 2017. An amount of HK$2,097,000 is recognised as reversal of other expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

11. Income Tax Expense (Continued)

The income tax expense for the year can be reconciled to profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 HK$'000	2017 HK$'000
Profit before tax	**44,676**	38,994
Tax at Hong Kong Profits Tax rate of 16.5% (note)	**7,371**	6,434
Tax effect of expenses not deductible for tax purposes	**2,710**	2,817
Tax effect of income not taxable for tax purposes	**(466)**	(424)
Underprovision in respect of prior years	**–**	1,911
Effect of different tax rates/tax bases of subsidiaries operating in another jurisdiction	**1,330**	845
Others	**(106)**	–
Income tax expense for the year	**10,839**	11,583

Note: The domestic tax rate (which is the Hong Kong Profits Tax rate) in the jurisdiction where the sales and purchases of the Group is substantially based is used.

12. Profit for the Year

	2018 HK$'000	2017 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration:		
– Fees	**180**	–
– Other emoluments, salaries and other benefits	**2,484**	3,961
– Retirement benefit scheme contributions	**72**	59
	2,736	4,020
Other staff salaries and allowances	**43,395**	36,123
Retirement benefit scheme contributions, excluding those of directors	**4,406**	3,048
Total employee benefits expenses	**50,537**	43,191
Auditor's remuneration	**1,900**	33
Cost of inventories recognised as an expense	**220,857**	212,937
Research and development expenses	**1,459**	1,440
Depreciation of property, plant and equipment	**14,186**	11,492
Donations	**121**	–

13. Directors', Chief Executive's and Employees' Emoluments

(a) DIRECTORS' AND THE CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable to the Directors and the chief executive of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the Directors) during the year are as follows:

For the year ended 31 December 2018

Name of directors	Fee	Salaries and other allowances	Retirement benefit scheme contributions	Other benefits (note iii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Mr. Tong	–	340	18	150	508
Ms. Ng	–	400	18	–	418
Mr. Tong Bak Nam Billy (note i)	–	780	18	156	954
Mr. Chan Kam Hon Ivan	–	558	18	100	676
	–	2,078	72	406	2,556
Independent non-executive directors:					
Mr. Yuen Chi Ping (note ii)	60	–	–	–	60
Mr. Leung Leslie Yau Chak (note ii)	60	–	–	–	60
Mr. Cheung Ting Kin (note ii)	60	–	–	–	60
	180	–	–	–	180
	180	2,078	72	406	2,736

13. Directors', Chief Executive's and Employees' Emoluments (Continued)

(a) DIRECTORS' AND THE CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2017

Name of directors	Fee	Salaries and other allowances	Retirement benefit scheme contributions	Other benefits (note iii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Mr. Tong	–	557	5	210	772
Ms. Ng	–	600	18	210	828
Mr. Tong Bak Nam Billy (note i)	–	930	18	461	1,409
Mr. Chan Kam Hon Ivan	–	708	18	285	1,011
	–	2,795	59	1,166	4,020

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors.

Notes:

(i) Being the chief executive of the Company, son of Mr. Tong and Ms. Ng.

(ii) Being appointed as a independent non-executive director of the Company on 16 August 2018.

(iii) Other benefits were the directors' quarters rental and relating expense.

13. Directors', Chief Executive's and Employees' Emoluments (Continued)

(b) EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the year include two (2017: three) directors. The emoluments for the year of the remaining three (2017: two) individuals, are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other allowances	2,575	1,638
Retirement benefit scheme contributions	49	32
	2,624	1,670

	2018 No. of employees	2017 No. of employees
Nil to HK$1,000,000	2	2
HK$1,000,001 to HK$1,500,000	1	–
	3	2

During the year, no emolument was paid by the Group to any of the Directors or the chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors or the chief executive of the Group waived any emoluments during the year.

14. Earnings Per Share

The calculation of the basic earnings per share during the year is based on the earnings attributable to owners of the Company and the weighted average number of ordinary shares of 437,918,000 (2017: 405,000,000), which has been adjusted retrospectively for the effect of the capitalisation issue as detailed in note 28(ii) as if the capitalisation issue had been effective since 1 January 2017.

No diluted earnings per share is presented for both 2018 and 2017 as the Company did not have any potential dilutive share in issue.

15. Dividends

During the year ended 31 December 2018, an interim dividend of HK$3,000 (2017: HK$1,000) per share amounting to HK$30,000,000 (2017: HK$10,000,000) was recognised as distribution by the Company to its shareholders whose names appeared on the register of members of the Company on 31 December 2017.

Subsequent to the end of the reporting period, a final dividend and special dividend, in respect of the year ended 31 December 2018 of HK4.0 cents and HK3.5 cents per ordinary share respectively, with an aggregate amount of HK$40,500,000 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

16. Property, Plant and Equipment

	Moulds HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST						
At 1 January 2017	62,318	34,496	1,441	4,477	2,420	105,152
Additions	5,273	1,914	243	–	–	7,430
Disposals	–	(376)	–	–	–	(376)
At 31 December 2017	67,591	36,034	1,684	4,477	2,420	112,206
Additions	38,657	17,983	44	332	–	57,016
Disposals	–	(5,839)	(160)	–	–	(5,999)
At 31 December 2018	106,248	48,178	1,568	4,809	2,420	163,223
DEPRECIATION						
At 1 January 2017	27,851	17,763	863	1,885	460	48,822
Provided for the year	7,207	2,919	243	881	242	11,492
Eliminated on disposals	–	(210)	–	–	–	(210)
At 31 December 2017	35,058	20,472	1,106	2,766	702	60,104
Provided for the year	8,988	3,754	337	865	242	14,186
Eliminated on disposals	–	(5,839)	(160)	–	–	(5,999)
At 31 December 2018	44,046	18,387	1,283	3,631	944	68,291
CARRYING VALUES						
At 31 December 2018	62,202	29,791	285	1,178	1,476	94,932
At 31 December 2017	32,533	15,562	578	1,711	1,718	52,102

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Moulds	14% per annum
Plant and machinery	10% – 20% per annum
Furniture, fixtures and equipment	20% per annum
Motor vehicles	20% per annum
Leasehold improvements	Over shorter of the lease terms of 5 to 10 years and useful lives

At 31 December 2018, the net book value of plant and machinery and motor vehicles includes an amount of HK$5,610,000 (2017: HK$1,244,000) in respect of assets held under finance leases.

17. Rental Deposits

The balances represent rental deposits placed by the Group in connection with its rented premises. The relevant leases will expire after one year from the end of the reporting period. Therefore, the balances are classified as non-current.

18. Inventories

	2018 HK$'000	2017 HK$'000
Raw materials	**9,423**	5,865
Work in progress	**12,627**	8,251
Finished goods	**7,755**	4,161
	29,805	18,277

19. Trade and other Receivables

	2018 HK$'000	2017 HK$'000
Trade receivables – goods	**30,872**	15,478
Prepayments to suppliers	**99,482**	30,910
Other tax recoverable	**2,798**	967
Other receivables	**1,400**	1,799
Deferred issue costs	**–**	4,924
	134,552	54,078
Less: impairment loss allowance	**(180)**	–
	134,372	54,078

The Group allows credit periods mainly ranging from cash on delivery to 90 days to its customers.

19. Trade and other Receivables (Continued)

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2018 HK$'000	2017 HK$'000
Trade receivables		
1 – 30 days	**21,462**	11,270
31 – 60 days	**8,463**	3,418
61 – 90 days	**523**	550
91 – 180 days	**269**	195
181 – 365 days	**155**	45
	30,872	15,478

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. All of the trade receivables that are neither past due nor impaired have no history of default on repayments. The Directors consider that these trade receivables are of good quality given the continuous settlement from customers throughout the year. As at 31 December 2018, receivables of HK$180,000 was impaired, of which impairment loss allowance of HK$114,000 was charged to profit or loss for the year ended 31 December 2018. As at 1 January 2018, an amount of HK$66,000 was recorded as an adjustment to the retained profits.

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$2,916,000 which are past due as at the reporting date. Out of the past due balances, HK$104,000 has been past due over 90 days and is not considered as in default given the continuous settlement from customers throughout the year. The Group does not hold any collateral over these balances.

19. Trade and other Receivables (Continued)

The following is an aged analysis of trade receivables which are past due but not impaired as at 31 December 2017:

	2017 HK$'000
1 – 30 days	2,099
31 – 60 days	751
61 – 90 days	195
91 – 180 days	195
181 – 365 days	45
	3,285

Details of impairment assessment of trade and other receivables are set out in note 34.

Included in the Group's trade receivables are amounts of HK$550,000 as at 31 December 2017 being transferred to certain banks by factoring the relevant trade receivables on a full recourse basis. If the trade receivables were not paid on maturity, the banks had the right to request the Group to pay the unsettled balance. As the Group had not transferred the significant risks and rewards relating to the receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as bank and other borrowings from factoring of trade receivables with full recourse (note 25). The financial asset was carried at amortised cost in the consolidated statement of financial position. There was no factoring arrangement as at 31 December 2018.

	2017 HK$'000
Carrying amount of transferred asset	550
Carrying amount of associated liability	(550)
	–

The Group's trade receivables that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	2018 HK$'000	2017 HK$'000
HK$	**1,860**	552

20. Amount Due from a Director

			Maximum amount outstanding during the year	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount due from a director (Note i)	**–**	22,052	**48,966**	38,099
Less: impairment loss allowance (Note ii)	**–**	–	**N/A**	N/A
	–	22,052	**48,966**	38,099

Notes:

(i) The amount represents balance with Mr. Tong which is non-trade in nature, interest-free, unsecured and repayable on demand. The amount outstanding at 31 December 2017 had been settled on 20 August 2018.

(ii) During the year ended 31 December 2018, amount due from a director was settled in full. Therefore, a reversal of impairment loss allowance of HK$23,000 was recorded in the consolidated statement of profit or loss and other comprehensive income for the current year, which arose from the amount of HK$23,000 recorded as an adjustment to the retained profits as at 1 January 2018.

21. Restricted Bank Deposits

Restricted bank deposits, include cash deposits in current account and saving deposits, represents deposits pledged to banks for banking facilities granted to the Group. As at 31 December 2018, restricted deposits amounting to HK$30,000,000 (2017: HK$30,000,000) were pledged to banks for banking facilities granted to the related companies. During the year ended 31 December 2018, no restricted bank deposits were considered by management as credit impaired, and reversal of impairment loss allowance of HK$973,000 was recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018. As at 1 January 2018, the amount of HK$973,000 was recorded as an adjustment to the retained profits.

Restricted bank deposits carry interest at market rates which range from 0.02% to 2.1% (2017: 0.00% to 1.55%) per annum.

Analysis of restricted bank deposits denominated in currencies other than the functional currencies of the relevant group entities is set out below:

	2018	2017
	HK$'000	HK$'000
HK$	**71,560**	92,022
RMB	**114**	240
	71,674	92,262

22. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. During the year ended 31 December 2018, no bank balances were considered by management as credit impaired, and reversal of impairment loss allowance of HK$1,561,000 was recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018. As at 1 January 2018, the amount of HK$1,561,000 was recorded as an adjustment to the retained profits.

Bank balances carry interest at market rates which range from 0.00% to 0.35% (2017: 0.00% to 0.35%).

Analysis of bank balances and cash denominated in currencies other than the functional currencies of the relevant group entities is set out below:

	2018 **HK$'000**	2017 HK$'000
HK$	**175,401**	87,601
RMB	**364**	36,678
	175,765	124,279

23. Trade and other Payables

	2018 **HK$'000**	2017 HK$'000
Trade payables	**42,047**	35,471
Payroll payable	**3,546**	6,529
Surcharge levied on tax payment by instalments	**2,701**	1,188
Financial guarantee obligations (Note)	**542**	564
Accrued issue costs/listing expenses	**9,901**	4,495
Other accrued expenses	**3,210**	4,293
Other payables	**12,313**	8,612
	74,260	61,152

Note: The amount represented financial guarantee contracts provided by Chase On Development Limited ("Chase On") to its related companies. The Controlling Shareholders and/or their family member have control or beneficial interests in these related companies.

23. Trade and other Payables (Continued)

The aged analysis of the trade payables presented based on the goods receipt date at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
Trade payables		
1 – 30 days	**10,726**	9,473
31 – 60 days	**8,680**	10,904
61 – 90 days	**3,445**	4,342
91 – 180 days	**10,759**	8,129
181 – 365 days	**7,405**	2,305
Over 1 year	**1,032**	318
	42,047	35,471

The average credit period on purchases of goods is ranging from cash on delivery to 90 days. The Group has financial risk management policies in place to ensure that the payables are settled in a timely manner.

Included in the Group's trade payables are the following amounts denominated in currencies other than the functional currencies of the relevant group entities:

	2018 HK$'000	2017 HK$'000
HK$	**3,680**	3,855
RMB	**31,469**	20,864
	35,149	24,719

24. Contract Liabilities

Contract liabilities represents advance payments from customers. During the year ended 31 December 2018, the amount of HK$1,603,000 (2017: HK$998,000) that represented the entire contract liability balances at the beginning of the respective year, was recognised as revenue. Based on the historical pattern, the Directors are of the opinion that the income from sale of plastic household products is for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

During the year ended 31 December 2018, the Group does not allow refund of the advance payments to the customers after the commencement of production of plastic household products to them. Based on the historical pattern, the Group does not recognise any refund liability as the Directors are of the opinion the amount involved is insignificant.

25. Bank and other Borrowings and Bank Overdrafts

	2018 HK$'000	2017 HK$'000
Bank and other loans	**228,133**	178,660
Bank borrowings from factoring of trade receivables with full recourse (note 19)	**–**	550
Total bank and other borrowings	**228,133**	179,210
Bank overdrafts	**5,049**	1,937
	233,182	181,147
Analysed as:		
Secured	**227,112**	174,871
Unsecured	**6,070**	6,276
	233,182	181,147
The carrying amounts of the above bank and other borrowings and bank overdrafts are repayable*:		
– within one year	**227,023**	179,936
– within a period of more than one year but not exceeding two years	**4,370**	985
– within a period of more than two years but not exceeding five years	**1,789**	226
	233,182	181,147
Less: Amounts due within one year shown under current liabilities	**(227,023)**	(179,936)
Amounts shown under non-current liabilities	**6,159**	1,211

* *The amounts due are based on scheduled repayment dates set out in the loan agreements.*

The ranges of effective interest rates on the Group's bank and other borrowings and bank overdrafts are as follows:

	2018 HK$'000	2017 HK$'000
Effective interest rates:		
Fixed-rate borrowings	**4.37% to 15.55%**	4.79% to 15.55%
Variable-rate borrowings	**3.63% to 6.14%**	3.25% to 5.67%
Variable-rate bank overdrafts	**3.63%**	3.50%

25. Bank and other Borrowings and Bank Overdrafts (Continued)

The Group's bank and other borrowings and bank overdrafts that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2018 HK$'000	2017 HK$'000
HK$	**76,522**	68,393
RMB	**–**	15,849
	76,522	84,242

The Group's bank and other borrowings and bank overdrafts as at 31 December 2018 and 2017 are secured and/or guaranteed by the followings:

(i) personal guarantees from certain directors of the Company and/or their family members;

(ii) corporate guarantees from the related companies which are controlled by the Directors;

(iii) corporate guarantees from certain subsidiaries of the Company;

(iv) trade receivables as disclosed in note 19; and

(v) restricted bank deposits as disclosed in note 21.

26. Obligations under Finance Leases

	2018 HK$'000	2017 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**2,487**	566
Non-current liabilities	**252**	613
	2,739	1,179

The Group has leased certain plant and machinery and motor vehicles under finance leases. The lease terms range from approximately three years to five years (2017: three years to five years). For the year ended 31 December 2018, interest rate underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.63% to 8.61% (2017: 3.63% to 7.25%) per annum. These leases have no terms of renewal and escalation clauses. All leases have purchase options.

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Obligations under finance leases payable:				
Within one year	**2,657**	603	**2,487**	566
Within a period of more than one year but not more than two years	**267**	480	**252**	466
Within a period of more than two years but not more than five years	**–**	149	**–**	147
	2,924	1,232	**2,739**	1,179
Less: Future finance charges	**(185)**	(53)	**N/A**	N/A
Present value of lease obligations	**2,739**	1,179	**2,739**	1,179
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(2,487)**	(566)
Amount due for settlement after 12 months			**252**	613

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

27. Deferred Taxation

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 HK$'000	2017 HK$'000
Deferred tax assets	–	95
Deferred tax liabilities	**(355)**	(231)
	(355)	(136)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

	Unrealised profit or loss HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2017	707	(211)	496
Charge to profit or loss	(612)	(20)	(632)
At 31 December 2017	95	(231)	(136)
(Charge) credit to profit or loss	(420)	201	(219)
At 31 December 2018	(325)	(30)	(355)

As at 31 December 2018, the aggregate amount of temporary differences associated with undistributed earnings of a PRC subsidiary for which deferred tax liabilities have not been recognised was HK$42,544,000 (2017: HK$32,072,000) because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

28. Share Capital

Details of movements of share capital of the Company are as follow:

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017 and 31 December 2017	38,000,000	380
Increase during the year (Note i)	1,962,000,000	19,620
At 31 December 2018	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2017 and 31 December 2017	10,000	–*
Shares issued pursuant to the capitalisation issue (Note ii)	404,990,000	4,050
Issue of shares upon listing (Note iii)	135,000,000	1,350
At 31 December 2018	540,000,000	5,400

	HK$'000
Shown in the consolidated statement of financial position	
At 31 December 2018	5,400
At 31 December 2017	–*

* *Balance is below HK$1,000.*

Notes:

(i) *Pursuant to the written resolution passed by the shareholders of the Company on 16 August 2018, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each by the creation of an additional 1,962,000,000 shares of HK$0.01 each, ranking pari passu with the existing then shares in all respects.*

(ii) *Pursuant to the written resolution passed by the shareholders of the Company on 16 August 2018, the Directors were authorised to capitalise an amount of HK$4,049,900 standing to the credit of the share premium account of the Company and to appropriate such amount as capital to pay up in full at par 404,990,000 shares for allotment and issue to the shareholders.*

(iii) *On 4 October 2018, the Company issued 135,000,000 ordinary shares of HK$0.01 each pursuant to the listing at the price of HK$1.1 per ordinary share.*

29. Operating Lease Commitments

The Group as lessee

	2018 HK$'000	2017 HK$'000
Minimum lease payments paid/payable under operating leases during the year in respect of rented premises	**11,567**	7,063

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**12,405**	9,429
In the second to fifth year inclusive	**16,917**	22,765
	29,322	32,194

Operating lease payments represent rentals payable by the Group for certain of its office premises, directors' quarters and the production plant. Leases are negotiated for a term of one to five years (2017: one to five years).

Certain office premises were leased from related parties of the Group as detailed in note 31.

30. Retirement Benefit Schemes

The Group participates in a defined contribution scheme which is registered under the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The Group also participates in a state-managed defined contribution retirement scheme organised by the relevant local governmental authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme for the eligible employees at specified percentage, ranging from 13% to 14%, of the payroll and the local governmental authority is responsible for the pension liabilities to these employees upon their retirement.

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the year, the total amounts contributed by the Group to the schemes and cost charged to the profit or loss represents contributions paid/payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contribution expense recognised by the Group amounted to HK$4,478,000 (2017: HK$3,107,000) during the year ended 31 December 2018.

31. Related Party Disclosures

(a) RELATED PARTY BALANCE

Details of the outstanding balance with related party are set out in the consolidated statement of financial position and in note 20.

(b) RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

Related party	Nature of transactions	**2018 HK$'000**	2017 HK$'000
Hilston Development Limited	Rental expenses	**546**	546
Ms. Ng	Rental expenses	**162**	162

The Controlling Shareholders and/or their family members have control or beneficial interests in Hilston Development Limited.

During the years ended 31 December 2018 and 2017, the Group provided certain financial guarantees to its related companies as detailed in notes 23 and 35. In addition, the Group pledged certain deposits for banking facilities granted to related companies as detailed in note 21.

During the years ended 31 December 2018 and 2017, the Group's bank and other borrowings and bank overdrafts are secured and/or guaranteed by certain related parties and details are disclosed in note 25.

(c) COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	2018 HK$'000	2017 HK$'000
Salaries and other allowances	**4,833**	4,432
Retirement benefit scheme contributions	**121**	90
Other benefit	**406**	1,168
Total	**5,360**	5,690

The remuneration of Directors and key management personnel are determined having regard to the performance of the individuals and contribution to the Group.

32. Capital Risk Management

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through the payments of dividends, new shares issue as well as issue of new debts and redemption of existing debts.

33. Share Option

Pursuant to a resolution passed on 16 August 2018 by the shareholders of the Company, a share option scheme (the "Share Option Scheme") was adopted.

The purpose of the Share Option Scheme is to provide incentives or rewards to eligible persons for their contribution or potential contribution to the Group.

The board of directors of the Company may, at its discretion, offer to grant an option to subscribe for such number of new shares as the board of directors of the Company may determine at an exercise price at a price which shall be at least the highest of: (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Share Option Scheme will remain in force for a period of ten years commencing on the 16 August 2018 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

An offer for the grant of options must be deemed to have been granted and accepted when the duplicate offer document constituting acceptances of the options duly signed, together with a remittance or payment to the Company. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

33. Share Option (Continued)

Save as determined by the board of directors and provided in the offer of the grant of the relevant options, there is no minimum period for which an option must be held before it can be exercised.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme established by the Company, if any, is 54,000,000, representing 10% of the issued share capital of the Company upon listing. The total maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme, if any, shall not exceed 30% of the issued share capital of the Company from time to time.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

34. Financial Instruments

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	–	256,296
Financial assets at amortised cost (including cash and cash equivalents)	**281,905**	–
Financial liabilities		
Financial guarantee obligations	**542**	564
Financial liabilities at amortised cost	**287,542**	225,230
Obligations under finance leases	**2,739**	1,179

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, amount due from a director, restricted bank deposits, bank balances and cash, trade and other payables, bank and other borrowings, bank overdrafts, financial guarantee obligations and obligations under finance leases.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

34. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risks

(i) Currency risk

The functional currency of most of the entities comprising the Group is US$ and one of the subsidiaries is with RMB as its functional currency.

(a) The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, restricted bank deposits, trade and other receivables, trade and other payables, bank and other borrowings and obligations under finance leases that are denominated in RMB and HK$. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	2018 **HK'000**	2017 HK'000
Monetary assets		
RMB	**1,829**	36,917
HK$	**248,869**	180,437
Monetary liabilities		
RMB	**46,436**	45,319
HK$	**80,814**	73,427

The Group also exposes to foreign currency risk relating to inter-company balances that are denominated in RMB. The carrying amounts of these RMB denominated inter-company balances are HK$13,653,000 (2017: HK$14,400,000) as at 31 December 2018.

34. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risks (Continued)

(i) Currency risk (Continued)

(a) (Continued)

Sensitivity analysis

The Directors consider that the exposure of HK$ against US$ is limited as HK$ is pegged to US$ and the Group is mainly exposed to the currency risk of RMB against US$ during the year. The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB weakened 5% against US$. For a 5% strengthening of RMB against US$, there would be an equal and opposite impact on the profit or loss.

	2018	2017
	HK'000	HK'000
RMB	**1,862**	351

No sensitivity analysis is presented for RMB denominated inter-company balances as the Directors consider the exposure is insignificant.

In the Directors' opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

34. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risks (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the restricted bank deposits (note 21), bank balances (note 22) and floating-rate bank and other borrowings and bank overdrafts (note 25) due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, the management keeps monitoring the interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the fixed-rate bank and other borrowings (note 25).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from the Group's HK$ borrowings and London Interbank Offered Rate arising from the Group's US$ borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank and other borrowings and bank overdrafts at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates at the end of the reporting period.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2018 would decrease/increase by HK$924,000 (2017: HK$671,000).

No sensitivity analysis for bank balances and restricted bank deposits is presented as the Directors consider that the exposure of the Group to interest rate risk on its variable-rate bank balances and restricted bank deposits is limited as Directors do not anticipate a material change in interest rate on bank balances.

Credit risk

Overview of the Group's exposure to credit risk before adoption of HKFRS 9 as at 1 January 2018

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position;
- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 35.

34. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Overview of the Group's exposure to credit risk before adoption of HKFRS 9 as at 1 January 2018 (Continued)

The Group's credit risk is primarily attributable to its trade and other receivables, amount due from a director and financial guarantees issued to the related companies.

In order to minimise the credit risk, the Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Directors continuously monitor the level of exposure by reviewing the credit qualities and financial conditions of its customers and related parties regularly to ensure that prompt actions will be taken to mitigate exposure. The Group also reviews the recoverable amount of significant receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputations.

The Group has concentration of credit risk in relation to its trade receivables as follows:

	2017 HK$'000
Total amounts due from the debtors located in Australia as a percentage to trade receivables	58%
Total amounts due from the debtors located in USA as a percentage to trade receivables	4%
Total amount due from the debtors located in UK as a percentage to trade receivables	9%
Total amounts due from the five largest debtors as a percentage to trade receivables	69%

The Group keeps exploring new customers to diversify and strengthen its customer base to reduce the concentration of credit risk. In order to minimise the credit risk, its management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts.

As at 31 December 2017, the Group also has concentration of credit risk from amount due from a director. The management of the Company considers the credit risk of the amount due from a director is limited because said director is also a shareholder of the Company.

Other than the concentration of the credit risk on trade receivables, bank balances, restricted bank deposits and amount due from a director, the Group does not have any other significant concentration of credit risk.

34. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Overview of the Group's exposure to credit risk after adoption of HKFRS 9 as at 1 January 2018

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At 1 January 2018 and 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group regularly monitors the external credit ratings on the financial institutions based on available information at each reporting date for its bank balances and restricted bank deposits which are placed in their financial institutions with credit ratings ranging from good to acceptable. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management team uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group has concentration of credit risk from certain bank balances and restricted bank deposits placed in a bank amounted to HK$160,527,000 (2017: HK$113,105,000), representing 64% (2017: 52%) of the total bank balances and restricted bank deposits as at 31 December 2018.

For the amount due from a director, the Group considers the risk or probability that a credit loss occurs low based on the historical repayments.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items individually by estimation based on historical credit loss experience based on the past default experience of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast conditions at the reporting date.

For other receivables, the Group assessed the impairment individually based on past due information which, in the opinion of the Directors, have no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. Therefore, loss allowance of other receivables is assessed on 12m ECL basis. No loss allowance was made for other receivables as at 1 January 2018 and 31 December 2018 as the amounts involved were insignificant.

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was HK$34,000,000 as at 31 December 2018. The carrying amount as at 31 December 2018 and the amount of financial guarantee obligations reversed during the year ended 31 December 2018 in accordance with the Group's accounting policies were HK$542,000 and HK$22,000 respectively. Details of the financial guarantee contracts are set out in Note 23. At the end of the reporting period, the Directors has assessed the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL.

34. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Overview of the Group's exposure to credit risk after adoption of HKFRS 9 as at 1 January 2018 (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised cost					
Restricted bank deposits	21	Aa to B	N/A	12m ECL	71,674
Bank balances	22	Aa to C	N/A	12m ECL	178,139
Other receivables	19	N/A	Low risk	12m ECL	1,400
Trade receivables	19	N/A	Low risk	Lifetime ECL – not credit-impaired (individual assessment)	30,872

34. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on borrowings as a significant source of liquidity. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

As at 31 December 2018, the Group has available unutilised short and long-term bank loan facilities of approximately HK$34,679,000 (2017: HK$60,628,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity tables

As at 31 December 2018

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 year to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2018 HK$'000
Non-derivative financial liabilities							
Trade and other payables	–	23,039	12,125	18,164	1,032	54,360	54,360
Financial guarantee contracts	–	34,000	–	–	–	34,000	542
Bank overdrafts	3.63	5,232	–	–	–	5,232	5,049
Bank and other borrowings							
– fixed rate	5.30	603	1,207	4,864	8,248	14,922	11,921
– variable rate	5.09	191,965	15,538	13,749	–	221,252	216,212
Obligations under finance leases	7.62	232	465	1,960	267	2,924	2,739
		255,071	29,335	38,737	9,547	332,690	290,823

As at 31 December 2017

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 year to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2017 HK$'000
Non-derivative financial liabilities							
Trade and other payables	–	30,673	13,410	–	–	44,083	44,083
Financial guarantee contracts	–	34,000	–	–	–	34,000	564
Bank overdrafts	3.50	1,937	–	–	–	1,937	1,937
Bank and other borrowings							
– fixed rate	6.09	16,979	551	2,054	1,304	20,888	20,516
– variable rate	4.45	140,963	10,392	7,500	–	158,855	158,694
Obligations under finance leases	4.15	50	101	452	629	1,232	1,179
		224,602	24,454	10,006	1,933	260,995	226,973

34. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Bank and other borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2018, the aggregate undiscounted principal amounts of these bank and other borrowings amounted to HK$185,823,000 (2017: HK$143,423,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank and other borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
31 December 2018	73,398	80,717	36,063	–	190,178	185,823
31 December 2017	47,094	54,241	45,304	391	147,030	143,423

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Directors consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors consider that the carrying amounts of financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements at the end of the reporting period approximate their fair values as these financial instruments are short term in nature. For non-current financial liabilities which bear interest at fixed interest rates, these rates approximated to the prevailing borrowing rates of the respective group entities and accordingly, the Directors consider that their carrying amounts approximate their fair values.

35. Contingent Liabilities

The following table sets out our Group's contingent liabilities at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Financial guarantees given to banks (Note)	**34,000**	34,000

Note: As at 31 December 2018, the Group issued financial guarantees to banks in respect of banking facilities granted to related parties of an aggregate amount of HK$34,000,000 (2017: HK$34,000,000). The amount disclosed above represents the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety, of which HK$33,523,000 (2017: HK$34,000,000) have been utilised by the related parties. Financial guarantees are initially recognised at fair value. The Directors are of the opinion that the fair value of the financial guarantees at initial recognition is not significant. The amounts of initial recognition of the financial guarantees are included in the consolidated statement of changes in equity. At the end of the reporting period, amounts of HK$542,000 (2017: HK$564,000) have been recognised as financial guarantee obligations in the consolidated statement of financial position.

36. Pledge of Assets

Certain of the Group's borrowings are secured by assets of the Group and the carrying amounts of which at the end of the reporting period are stated below:

	2018 HK$'000	2017 HK$'000
Property, plant and equipment	**8,293**	4,938
Trade receivables	**–**	550
Restricted bank deposits	**71,674**	92,262
	79,967	97,750

During the years ended 31 December 2018 and 2017, the Group’s bank and other borrowings and bank overdrafts are secured and/or guaranteed by certain related parties and details are disclosed in note 25.

37. Statement of Financial Position and Reserves of the Company

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Interest in a subsidiary	(a)	**13,771**	13,771
Amount due from a subsidiary	(b)	**126,704**	1,667
		140,475	15,438
CURRENT ASSETS			
Trade and other receivables	(c)	**–**	4,924
Bank balances and cash	(d)	**9,992**	118
		9,992	5,042
CURRENT LIABILITIES			
Trade and other payables	(e)	**9,901**	4,495
		9,901	4,495
NET CURRENT ASSETS		**91**	547
TOTAL ASSETS LESS CURRENT LIABILITIES		**140,566**	15,985
NET ASSETS		**140,566**	15,985
CAPITAL AND RESERVES			
Share capital		**5,400**	–
Reserves	(f)	**135,166**	15,985
Total equity		**140,566**	15,985

37. Statement of Financial Position and Reserves of the Company (Continued)

(a) INTEREST IN A SUBSIDIARY

	2018 HK$'000	2017 HK$'000
Investment in Top Leader, at cost	**13,771**	13,771

(b) AMOUNT DUE FROM A SUBSIDIARY

	2018 HK$'000	2017 HK$'000
Amount due from a subsidiary	**126,704**	1,667

The amount is interest-free, unsecured and repayable on demand.

(c) TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Deferred issue costs	**–**	4,924

(d) BANK BALANCES AND CASH

	2018 HK$'000	2017 HK$'000
Bank balances and cash	**9,992**	118

(e) TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Accrued listing expenses/issue costs	**9,901**	4,495

37. Statement of Financial Position and Reserves of the Company (Continued)

(f) THE FOLLOWING ARE THE MOVEMENTS OF THE COMPANY'S RESERVES

	Share premium HK$'000	Accumulated losses/retained profits HK$'000	Total HK$'000
At 1 January 2017	13,771	(12,521)	1,250
Profit and other comprehensive income for the year	–	24,735	24,735
Dividend recognised as distribution (note 15)	–	(10,000)	(10,000)
At 31 December 2017	13,771	2,214	15,985
Profit and other comprehensive income for the year	–	20,924	20,924
Dividend recognised as distribution (note 15)	–	(30,000)	(30,000)
Issue of shares upon listing	143,100	–	143,100
Transaction costs attributable to issue of shares	(14,843)	–	(14,843)
At 31 December 2018	142,028	(6,862)	135,166

38. Major Non-Cash Transactions

The Group has the following non-cash transactions:

During the year ended 31 December 2018, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$3,440,000 (2017: nil).

During the year ended 31 December 2018, amongst the dividends of HK$30,000,000 (2017: HK$10,000,000) declared to the shareholders of the Company, dividends of HK$20,019,000 (2017: HK$8,266,000) were settled through the current account with a director.

On 31 December 2018, Mr. Tong and related companies had entered into settlement agreements pursuant to which the amounts due from related companies of HK$37,688,000 at 31 December 2018 were transferred to and borne by Mr. Tong.

39. Capital Commitment

	2018 **HK$'000**	2017 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**15,429**	8,042

40. Particulars of Subsidiaries of the Company

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company 2017	**2018**	Principal activities
Top Leader*	BVI 19 May 2016	Hong Kong	US$1	100%	**100%**	Investment holding
Chase On	Hong Kong 16 June 1989	Hong Kong	HK$10,000	100%	**100%**	Design and trading of plastic household products
Shenzhen Xincang 深圳新昌塑膠用品有限公司	The PRC 20 November 1992	The PRC	RMB7,500,000	100%	**100%**	Manufacturing and processing of plastic household products
Foshan Haichang New Materials Technology Co., Ltd.** 佛山市海昌新材料科技有限公司 ("Foshan Haichang")	The PRC 28 May 2012	The PRC	RMB12,000,000	61%	**61%**	No operation

* *Directly held by the Company*

** *The English name is for identification only. The official name of the entity is in Chinese.*

None of the subsidiaries had issued any debt securities at the end of the year.

41. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	At 1 January 2018 HK$'000	Financing cash flows HK$'000	Non-cash changes HK$'000 (note i)	Other changes HK$'000 (note ii)	At 31 December 2018 HK$'000
Obligations under finance leases (note iii)	**1,179**	**(2,098)**	**–**	**3,658**	**2,739**
Bank and other borrowings (note iv)	**179,210**	**39,417**	**–**	**9,506**	**228,133**
Dividend payable (note v)	**–**	**(9,981)**	**(20,019)**	**30,000**	**–**
Accrued issue costs	**1,124**	**(14,843)**	**–**	**16,194**	**2,475**
	181,513	**12,495**	**(20,019)**	**59,358**	**233,347**

	At 1 January 2017 HK$'000	Financing cash flows HK$'000	Non-cash changes HK$'000 (note i)	Other changes HK$'000 (note ii)	At 31 December 2017 HK$'000
Obligations under finance leases (note iii)	2,428	(1,350)	–	101	1,179
Bank and other borrowings (note iv)	206,095	(34,985)	–	8,100	179,210
Dividend payable (note v)	–	(1,734)	(8,266)	10,000	–
Accrued issue costs	1,428	(1,181)	–	877	1,124
	209,951	(39,250)	(8,266)	19,078	181,513

Notes:

(i) Non-cash changes represent the effects of set off of the amounts due from/to related companies with the amount due to a director (note 20), the set off of the dividends declared to the shareholders/the then shareholders of the companies comprising the Group with the current account of a director (note 38), and the set off of the consideration of transfer of equity interest of a subsidiary with the current account of a director (note 38).

(ii) Other changes includes the addition of property, plant and equipment through finance lease, finance cost recognised (note 9), dividend declared and issued costs accrued.

(iii) The cash flows of obligations under finance leases represent repayments of principal and interest during the year.

(iv) Bank and other borrowings include bank and other loans and bank borrowings from factoring of trade receivables with full recourse. The cash flows from bank and other borrowings comprise the net amount of new borrowing raised and repayment of principal and interest of bank and other borrowings during the year.

(v) The cash flows of dividend payable represent payment of dividend to shareholders.

42. Events Subsequent to Reporting Period

Save as disclosed elsewhere in the consolidated financial statements, there are no other significant events took place subsequent to the end of the reporting period.

Five-Year Financial Summary

	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**340,972**	325,814	300,632	315,527	301,987
Profit for the year attributable to owners of the Company	**33,837**	27,411	26,335	29,273	16,461
Assets and liabilities					
Total assets	**564,955**	366,611	359,672	405,712	358,364
Total liabilities	**339,277**	275,048	286,582	343,597	319,333
Net assets					
Non-controlling interests	**5,321**	5,615	5,226	5,585	5,847
Equity attributable to owners of the Company	**220,357**	85,948	67,864	56,530	33,184