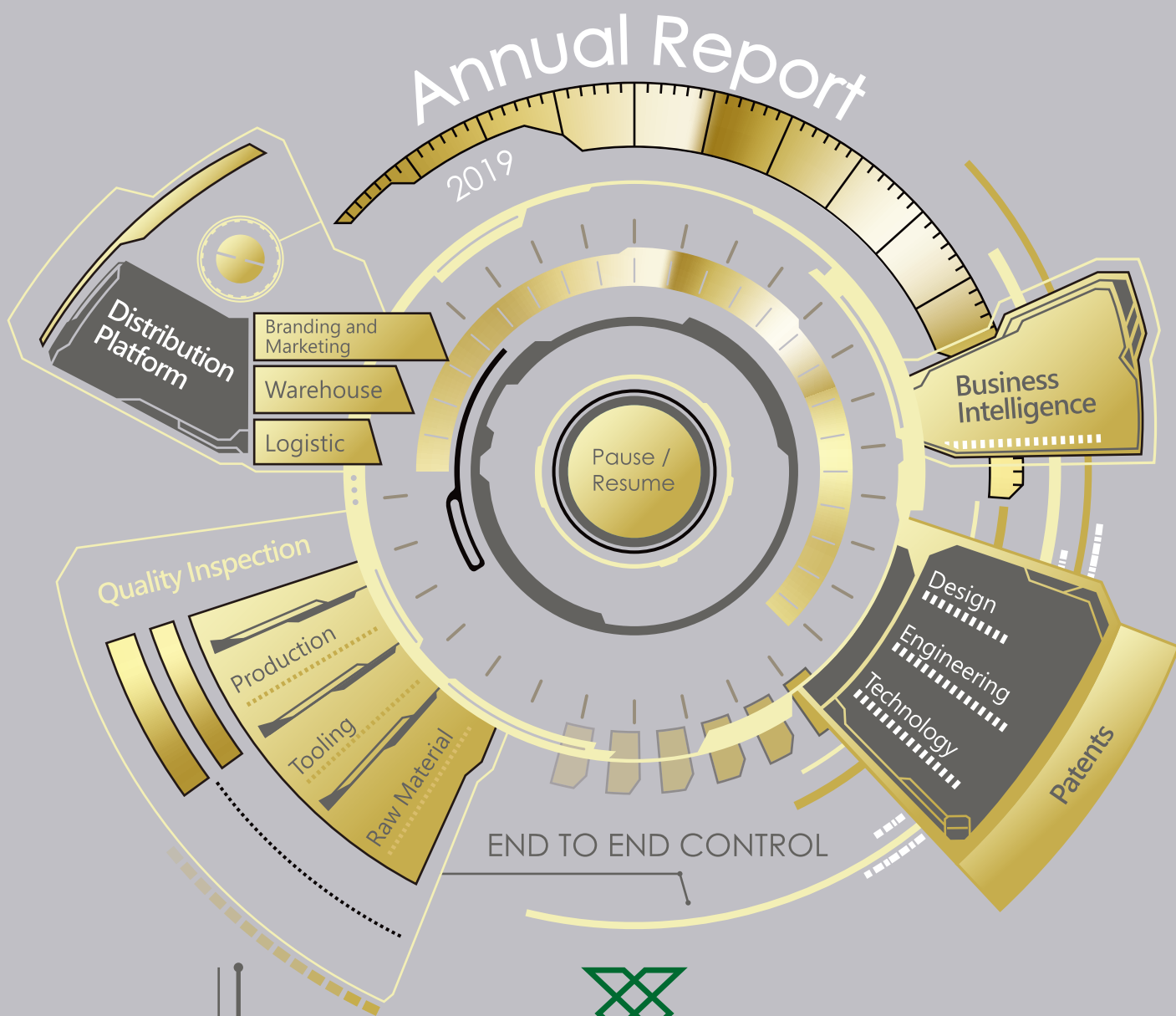




King's Flair International (Holdings) Limited

科勁國際(控股)有限公司

Incorporated in the Cayman Islands with limited liability Stock Code : 6822

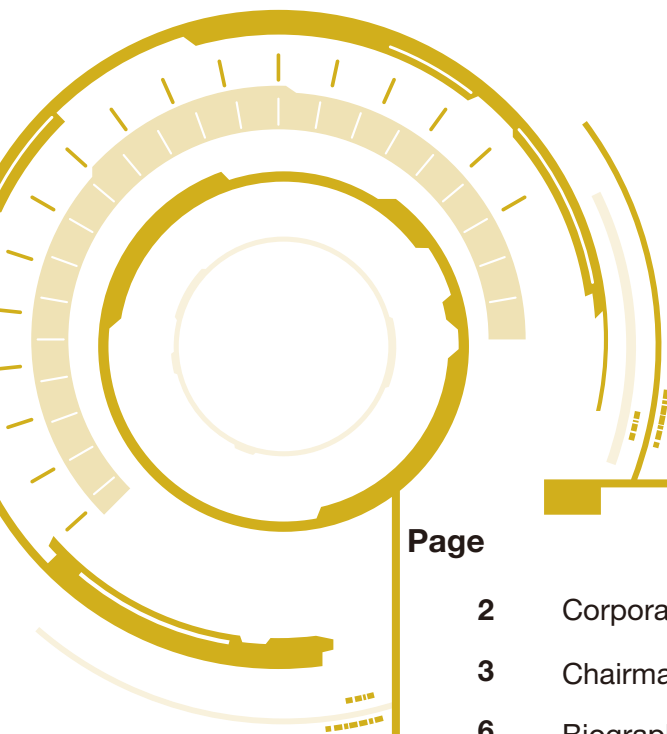


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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Siu Wah (*Chairman and Chief Executive Officer*)
Ms. Wong Fook Chi

Independent Non-Executive Directors

Dr. Lau Kin Tak
Mr. Anthony Graeme Michaels
Ms. Leung Wai Ling, Wylie

BOARD COMMITTEES

Audit Committee

Ms. Leung Wai Ling, Wylie (*Chairman*)
Dr. Lau Kin Tak
Mr. Anthony Graeme Michaels

Remuneration Committee

Dr. Lau Kin Tak (*Chairman*)
Mr. Anthony Graeme Michaels
Ms. Leung Wai Ling, Wylie
Mr. Wong Siu Wah
Ms. Wong Fook Chi

Nomination Committee

Mr. Wong Siu Wah (*Chairman*)
Dr. Lau Kin Tak
Mr. Anthony Graeme Michaels
Ms. Leung Wai Ling, Wylie

Risk Management Committee

Ms. Wong Fook Chi (*Chairman*)
Dr. Lau Kin Tak
Ms. Leung Wai Ling, Wylie

COMPANY SECRETARY

Mr. Wan Hok Yin, *HKICPA and CPA Australia*

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

12/F., Yardley Commercial Building
3 Connaught Road West
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 6822

WEBSITE

www.kingsflair.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of King's Flair International (Holdings) Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

BUSINESS AND FINANCIAL REVIEW

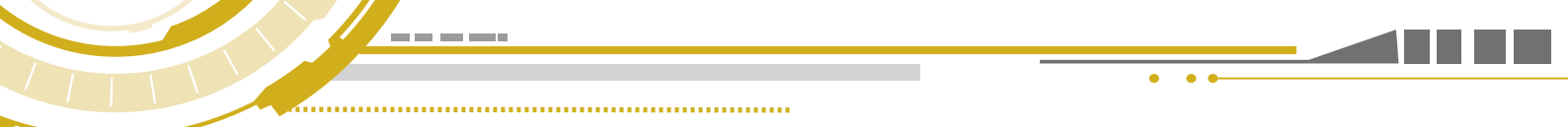
During the year 2019, the continuous uncertainties in the market created due to the trade tension between the U.S. and the People's Republic of China (the "PRC") which posed a potential pressure to the supply chain and affect the sentiment of the markets. Moreover, the market competition remained fierce exerted an impact on the profitability of businesses.

Facing these challenges, the Group values its long-term relationship with the customers and recognises continuous improvement on the quality of value-added service to the customers are the keys to success and its need to diversify its business service. For the Group's ODM service, the Group continues to strengthen customers' trust in the Group's one-stop platform, providing value added services, end-to-end control and supporting the customers' business growth. The Group's end-to-end control starts with raw material centralization, we continues to consolidate existing ODM sales forecast and orders in order to achieve economy of scales through its raw material trading business sector, exert direct control on the quality of raw material sourced and also engage material innovation in supporting new product design. On the other hand, the Group continues to develop new products with patentable design, catering to mechanical design breakthrough, users' experience enhancement and production streamlining, in order to support the market penetration of its customers' products. As such, the Group's design and R&D capability, supported by 18 staff members, was reinforced in order to deliver speedy and quality product design service to the customers.

For the Group's wholesale and retail sectors, it is the Group's practice to distribute only its products. Leveraging on the Group's in-house design capability, flexible and agility supply chain capability, real-time quality control and local market knowledge, the Group is capable to respond to market trends and needs in an expedite manner without compromising quality products and services. The Group extends its end-to-end control through establishing sales and distribution network, penetrating the PRC market, securing multi-channel and expanding other territories in Asia Pacific regions such as Taiwan, Thailand, and Japan.

During the year, though the Group has developed the new revenue sources generated from its new sales projects with certain famous brand name owners, the increment was offset by a decrease in sales from the trading of raw materials segment. As a result, the Group's total revenue decreased slightly by 1.7% to approximately HK\$1,540.4 million during the year ended 31 December 2019, as compared to approximately HK\$1,566.9 million for the year ended 31 December 2018.

The Group acknowledges the value of branding and marketing service. The Group has made its first step in revamping its corporate presence on its website and social media, allowing easier access to the Group's services worldwide which complements to its continuous effort in expanding its product portfolio, recruiting talents, and acquiring new customers. The Group has invested in product assortment and marketing and promotional activities to further enhance brand image and increase its market share and will continue looking for potential business opportunity for diversification.



Chairman's Statement

The Group's profit attributable to owners for the year ended 31 December 2019 was approximately HK\$124.9 million which represents an increase of approximately 5.8% comparing with approximately HK\$118.0 million for the year ended 31 December 2018. The increase was mainly due to the increase of gross profit as a result of the drop of the crude oil-based commodities price during the year which lowers the costs of certain raw materials for manufacturing the Group's products. On the capital structure side, the Group continues to maintain a very strong balance sheet and a reasonable gearing ratio.

A CONSERVATIVE BUT POSITIVE FUTURE

The outbreak of the Coronavirus Disease ("COVID-19") since early 2020 has posed a tremendous challenge to the overall global economy and the Group's business operation. Depending on the development of COVID-19 and its impact on the economic conditions, there may be adverse effect on the financial performance of the Group subsequent to the date of these financial statements. The Group will closely monitor the situation and, to the extent applicable, react proactively to minimize the impact of COVID-19. The Group will also take the opportunity to further streamline its business process in order to maintain the leanest cost structure possible, in preparation for the upcoming challenges and opportunities when the global condition recovers.

Staying ahead in market trend, design creativity, engineering know-how, premium quality and speedy delivery are the cornerstone of the Group. The Group will continue investing in design and intellectual property right protection, upgrade its supply chain production capability, provide training on the team's professional operating skillset, and expand the wholesale and retail network in Asia which collaboratively contributes to drive business growth over the long term. In 2020, the Group will establish strategic partnership with certain design arm in US and Australia to further strengthen its product design capabilities.

The Group's export business is highly competitive due to the fierce competition in the kitchenware and household product markets. The Group believes its one-stop service is valuable to its customers in their sales and market differentiation, helping them with protected intellectual property innovation, launching to market in speedy manners, assuring product quality and brand reputation, and securing their company growth. The Group will continue supporting and grow with valuable established clients in the U.S., Europe, Australia and Japan with its professional design and engineering services, as well as developing potential new clients from other territories which the Group is exploring.

Diversifying the Group's product portfolio has been one of its main focuses. In addition to the existing category of kitchenware products, the Group fosters new customers from other household product segments such as baby, toddlers, kids tools and gadgets, pets accessories, coffee accessories and glassware help to widen its supply chain capability. Since 2018, the Group has successfully launched the products for baby and toddlers markets in the PRC, Japan and Denmark under its own trademark and patent. The Group is optimistic about the prospect of the new product lines.

Specifically, the Group will continue to leverage its growing design and engineering capabilities in the pursuit of its differentiation strategy. By providing tailor-made services to its customers, the Group will look to drive sales order from existing customers and attract new customers, further diversifying and expanding its customer base to achieve a sustainable revenue growth. During the year 2018, the Group has entered into an agreement for the acquisition of four independent, separately operated production lines, each of which consists of standard version of the Nanospider™ eight-electrode solvent optimized 1600 mm width with an upward spinning configuration (the "Equipment") which is a versatile technology easily adapted to a variety of process parameters for the optimization of the specific properties of the produced nanofibers. The Group has established an appropriate location in Hong Kong to assemble the first production line and the testing has been completed at the end of 2019. The Group is looking forward to applying the technology to achieve materials advancement, functionality improvement and product range expansion.

The Group will also continue investing in the enhancement of the internal information technology infrastructure and system which caters to operation data analysis, market & sales information analysis, inventory controls and forecasts. With 30 years of data stored within the Group existing system, being able to effectively analyze and retrieve these data will further streamline the Group operations flow, increase productivity, enhance internal control, forecasting customers need while providing better tailored service.

In order to implement the above strategies, the Group will need to recruit talents, expand its existing headcounts and establish new departments to cater to the specific needs of each project. The Group will also continue investing in human resources training and hardware and software updates to ensure the Group's staff members are equipped with competitive knowledge, skillset and capability to implement these strategies.

The Group believes that the implementation of the above strategies will increase its revenue source and profitability in future.

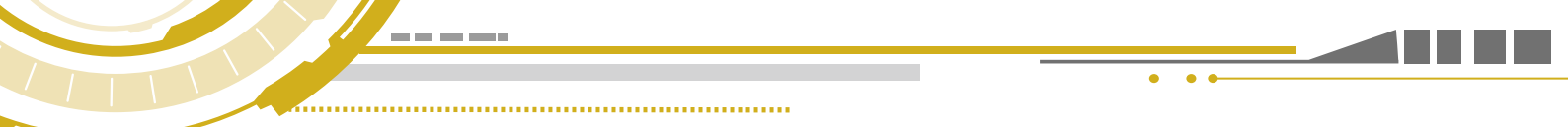
ACKNOWLEDGMENT

On behalf of the Board, I would like to thank the Group's global customers for supporting the Group with opportunities to grow, the Group's vendors who continues to strive to improve and achieve the Group's standard and services, and last but not least the exceptional people who live and carry the Group's values, delivering the Group's achievements and milestones.

Wong Siu Wah

Chairman and Chief Executive Officer

23 March 2020



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Siu Wah

Aged 63, founded our Group's business in 1984 and held various positions within our Group. Mr. Wong has been a Director of King's Flair Development Limited ("King's Flair Development"), a major operating subsidiary of our Company which is engaged in design, engineering development and supply of kitchenware and household products since 1989, involving in business planning and development and product engineering. Mr. Wong has over 36 years of business building, operations and management experience within our Group. He was appointed as the Chairman, Chief Executive Officer and Executive Director on 25 June 2012. He is currently responsible for the overall corporate vision setting and strategic planning within our Group. Mr. Wong is an Honorary Life Vice President of the PolyU Foundation and a member of the advisory committee for the Department of Mechanical Engineering of the Hong Kong Polytechnic University. In January 2017, he received the title, University Fellowship, from the Hong Kong Polytechnic University. In December 2018, Mr. Wong was awarded an Honorary Doctor of Business from Swinburne University of Technology in Australia. Mr. Wong is the spouse of Ms. Rebecca Cheng, a controlling shareholder of the Company, and the father of Ms. Wong Fook Chi, Chief Operating Officer and an Executive Director of the Company.

Ms. Wong Fook Chi

Aged 36, joined our Group since 2006. Ms. Wong underwent various job rotations within the Group, ranging from business to human resources, administration and finance roles. She was appointed as an Executive Director on 25 June 2012. With over 13 years of experience in the kitchenware industry gained from the daily operation of our Group, Ms. Wong currently oversees the Company's operation and corporate strategy implementations. Ms. Wong obtained her Bachelor of Science degree from the University of Toronto in Canada in 2006 and her Master of Business Administration degree from the University of Chicago in 2016. Ms. Wong served as an industrial advisor to The Hong Kong Polytechnic University from 2009 to 2012. She was awarded Young Industrialist Award of Hong Kong by the Federation of Hong Kong Industries (FHKI) in 2016. Ms. Wong is the daughter of Mr. Wong Siu Wah, the Chairman, Chief Executive Officer and Executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lau Kin Tak

Aged 51, was appointed as an independent non-executive Director on 22 December 2014. Dr. Lau is currently a Pro-Vice-Chancellor (Research Performance and Development) of Swinburne University of Technology, Australia. Dr. Lau has over 21 years of experience in the mechanical engineering academic field gained from the Hong Kong Polytechnic University and has 3 years of experience as a craft apprentice in the Hong Kong Aircraft Engineering Company Limited which engages in aircraft engineering and maintenance business. Dr. Lau is an International Vice President and a Trustee Board member of the Institution of Mechanical Engineers; a fellow of Engineers Australia; a fellow of the Institution of Materials, Minerals and Mining; a fellow of the Institution of Engineering Designers; a fellow of the Hong Kong Institution of Engineers; a fellow of the Royal Aeronautical Society; a member of European Academy of Sciences and a member of European Academy of Sciences and Arts. In 2001, Dr. Lau was awarded a doctor of philosophy (PhD) by the Hong Kong Polytechnic University. In 1997 and 1996, Dr. Lau obtained a master degree and a bachelor degree, respectively, of engineering in aerospace engineering in the Royal Melbourne Institute of Technology in Australia.

Mr. Anthony Graeme Michaels

Aged 76, was appointed as an independent non-executive Director on 22 December 2014. Mr. Michaels has 36 years of combined industry experience gained from DKSH Australia Pty Ltd. ("DKSH Australia") and its former entities Zyliss Australia Pty Ltd. and United Housewares Pty Ltd. During his service in DKSH Australia, it was a subsidiary of DKSH Holding AG (Ltd) ("DKSH") which was a company listed on the SIX Swiss Exchange, and which primarily engaged in the provision of market expansion services with a focus on Asia. During Mr. Michaels' service, DKSH Australia carried a variety of international brands in lifestyle and luxury categories, including but not limited to Zwilling JA Henckels, Zyliss, Staub, Cole & Mason, Culinare, Microplane, Marcato, Contigo, Tala, Cuisena, Progressive, Jamie Oliver and Metaltex. Mr. Michaels was Managing Director of the Consumer Goods Business Units of DKSH Australia and New Zealand. Mr. Michaels retired from DKSH Australia in July 2012.

Ms. Leung Wai Ling, Wylie

Aged 52, was appointed as an independent non-executive Director on 22 December 2014. Ms. Leung possesses over 16 years of experience in the finance and accounting. Ms. Leung worked as the company secretary of Hong Wei (Asia) Holdings Company Limited (Stock Exchange stock code: 8191) for approximately 3 years; the financial controller of subsidiaries of Casablanca Group Limited (Stock Exchange stock code: 2223) for over 1 year; the financial controller of Guangzhou TWS Electronics Limited for over 4 years; and an auditor at Ernst & Young for over 3 years. Ms. Leung is currently a member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Directors. In 1992, Ms. Leung obtained a bachelor degree in business administration from the City University of New York in the U.S.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chan Hoi Tung, Danny

Aged 51, joined our Group in 2018, is the Senior Marketing Director of our Group. Mr. Chan is responsible for the Group's marketing teams and workflow improvement. He has over 25 years of experience in IT & consumer electronics products distribution management along with many years of experience in management consultancy focusing on corporate structure re-engineering system architecture, data analysis and workflow management. Mr. Chan holds a Master of Business Administration from the University of Ottawa.

Mr. Wong Chi Man, Raymond

Aged 54, joined our Group in 1997 and is the Supply Chain and Logistics Director of our Group. Mr. Wong is primarily responsible for the overall supplier management and oversees the supplies network and production capacity. He is also responsible for the management of the shipping department and the logistic arrangement of our Group. Mr. Wong has over 26 years of experience in quality control and production coordination gained from the business operation of our Group.

Mr. Wong Lok Hey, Adrian

Aged 37, joined our Group in 2008, is the R&D Director of our Group. Mr. Wong is primarily responsible for product design, product engineering development and patent application of our Group. Mr. Wong has over 10 years of kitchenware design and development experience gained from our Group. Prior to joining our Group, Mr. Wong has over 3 years marketing experience in bathware industry. In 2008, Mr. Wong obtained a master degree of science in engineering (mechanical engineering) from the University of Hong Kong and, in 2005, obtained a bachelor degree of engineering in mechanical engineering from the University of Hong Kong.

Mr. Chow Chi Wai, Kevin

Aged 52, joined our Group in 2003, is the Sales and Marketing Director of our Group. Mr. Chow is primarily responsible for the business development and customer relationships of the worldwide (excluding China) business of our Group. Mr. Chow has over 15 years of experience in kitchenware business development gained from the business operation of our Group. Prior to joining our Group, Mr. Chow has over 20 years of experience in marketing and merchandising field.

Mr. Chan Chi Man, Arthur

Aged 37, joined our Group in 2010, is the Quality Assurance Manager of our Group. Mr. Chan is primarily responsible for the management of the quality control of our Group. Mr. Chan has over 8 years of experience in the kitchenware industry gained from the business operation of our Group. Between June 2010 and June 2013, Mr. Chan was a senior merchandiser of Wonder Household. Before joining our Group, Mr. Chan has over 5 years of experience in sales and marketing field. In 2011, Mr. Chan obtained a master degree of science in quality management from the Hong Kong Polytechnic University and, in 2006, obtained a bachelor degree of science (honors) in computer studies from City University of Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an integrated one-stop kitchenware and household product solution provider to internationally renowned kitchenware and household product brands. Headquartered in Hong Kong, the Group provides differentiating and customised services from market research, concept creation, product design and development to raw material sourcing, production engineering as well as quality assurance, order tracking and logistics. This comprehensive and bespoke service platform has successfully differentiated the Group among kitchenware and household product solution providers in the industry and gained us the trust from high-end kitchenware and household product brand owners in North America, Europe and Asia.

Core products of the Group include kitchen tools and gadgets, drinkware, bakeware and accessories and food preparation and storage products and accessories. The Group also engages in trading of raw materials.

OPERATIONAL REVIEW

Differentiated services is the key to enhance customer loyalty

With a strong commitment in providing differentiated services and reinforcing its competitive advantages, the Group continued to invest in its product design, development and engineering capabilities in 2019. During 2019, the Group had expanded its design and R&D team which currently consist of a total of 18 members, as compared to 16 members in 2018, who are professional in focusing on market research, data analysis, product design and development, helping our clients in monitoring consumer demands and setting the latest trends in kitchenware and household products as well as collaborating with our customers to derive patentable solutions. These capabilities differentiated us among our peers and fortified our strategic partnership with our customers.

With strong background in industrial designs as well as experiences in manufacturing, the Group's product engineering team, which currently has 11 engineers, provide innovative raw material ideas and cost-effective solutions to streamline the overall manufacturing process. As at 31 December 2019, the Group engaged a team of over 90 quality assurance professionals stationed at or near the production factories in the PRC.

International clientele

The Group has an extensive sales network and international clientele. During the year ended 31 December 2019, clients from the U.S. contributed over 71.2% of total revenue. Asia, Europe and Canada contributed 19.3%, 7.0% and 2.0%, respectively, and the Group received orders from over 100 customers.

In addition to maintaining solid partnership with its existing customers, the Group also endeavored to explore new business opportunities. During the year ended 31 December 2019, the Group visited various trade fairs and shows worldwide. Via such platforms, the Group was able to reach merchandisers from around the globe and closely track the latest innovation and design trends in the industry.

FUTURE STRATEGY

The outbreak of the Coronavirus Disease (“COVID-19”) since early 2020 has posed a tremendous challenge to the overall global economy. Despite its minimal financial impact on the Group’s 2019 annual results, there may be adverse effect on the subsequent financial performance, depending on the development of COVID-19 and its impact on the economic conditions. The Group will closely monitor the situation and, to the extent applicable, taking proactive actions to minimize the impact of COVID-19. The Group will also take the opportunity to further streamline its business process in order to maintain the leanest cost structure possible, in preparation for the upcoming challenges and opportunities when the global condition recovers.

Specifically, the Group will continue to leverage its growing design and engineering capabilities in the pursuit of its differentiation strategy. By providing tailor-made services to its customers, the Group will look to drive sales order from existing customers and attract new customers, further diversifying and expanding its customer base to achieve a sustainable revenue growth. During the year 2018, the Group has entered into an agreement for the acquisition of four independent, separately operated production lines, each of which consists of standard version of the Nanospider™ eight-electrode solvent optimized 1600 mm width with an upward spinning configuration (the “Equipment”), which is a versatile technology, easily adapted to a variety of process parameters for the optimization of the specific properties of the produced nanofibers. The Equipment is expected to upgrade the Group’s production capability on components of existing products, while allowing the Group to tap into new products range in the future. The Group has since identified an appropriate location in Hong Kong to assemble the first production line, and testing has been completed by the end of 2019. The Group is looking forward to applying the technology to achieve materials advancement, functionality improvement and product range expansion.

In terms of geographical markets, the Group will seek stable business growth in its existing overseas and the PRC markets through its established foothold in the global kitchenware and household product industry. On existing overseas markets, the Group will continue to focus on the mid-to-high-end segment through the introduction of innovative products with high functionality. The Group will also look to increase market penetration by working with local importers and trade agents, and expand potential collaborations with well-known U.S., Europe and also local brand owners and retailers.

On the PRC front, the Group will continue to focus on expanding its retail contribution and product assortment, as the market remains highly-underpenetrated with the large number of middle-class consumers craving for quality and trendy products. Since the introduction of the two-child policy by the PRC government in 2015, the demand for toddler and children products has been increasing, providing ample business opportunities and incentives to the Group. The Group has since dedicated more resources, such as enhancing its e-commerce platform and marketing and promotional activities, to capture the mother and toddler’s market. Following the success on the launch of toddler and children products in the PRC market, the Group is also exploring other markets such as Japan and the Northern Europe countries.

The Group also engages in raw materials trading business in order to diversify its business risk and expand revenue stream. For this business segment, the Group will continue to explore reliable commodities suppliers around the world for enriching raw material intelligence and increasing the varieties of raw materials to enjoy the benefits of economies of scale and synergy efficiency.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2019, the Group recorded a steady revenue level and the Group's revenue was approximately HK\$1,540.4 million, representing a slight decrease of approximately 1.7% as compared to approximately HK\$1,566.9 million for 2018. This was mainly due to the new revenue sources to the Group generated from the Group's new sales projects with certain famous brand name owners which was offset by a decrease in sales from the segment of trading of raw materials and the sales credit offered to one of our major customers during the year.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 9.8% to approximately HK\$312.5 million for year ended 31 December 2019 (2018: HK\$284.6 million) and the gross profit margin increased by approximately 2.1% to approximately 20.3% for the year ended 31 December 2019 (2018: 18.2%). The higher gross profit margin was mainly due to the drop of the crude oil-based commodities price during the year which lowers the costs of certain raw materials for manufacturing the Group's products.

Other income and gains, net

During the year ended 31 December 2019, other income increased by approximately 89.4% to approximately HK\$12.5 million (2018: HK\$6.6 million) primarily due to the gain in fair value change of the financial assets at fair value through profit or loss and the increase in interest income and government grants during the year.

Distribution expenses

During the year ended 31 December 2019, distribution expenses increased by 8.0% to approximately HK\$48.4 million (2018: HK\$44.8 million). The increase was mainly due to the Group's dedication of more resources in product development and hence the cost of product approval test increased correspondingly.

Administrative expenses

During the year ended 31 December 2019, the administrative expenses increased by approximately 19.7% to approximately HK\$111.9 million (2018: HK\$93.5 million). The increase was primarily due to the increase in donation and Group's investment in human resources by recruiting more talent people to join the Group.

Profit for the year

Profit for the year ended 31 December 2019 increased by approximately 4.9% to approximately HK\$138.3 million (2018: HK\$131.9 million). The increase was mainly due to the increase of gross profit and other income. However, the one-time sales credit off-setting the positive effect from the increase of gross profit and other income.

SIGNIFICANT INVESTMENT HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS ON CAPITAL ASSETS

Other than the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income as disclosed in note 23 and 24 respectively to the consolidated financial statements of this annual report, there were no significant investment held as at 31 December 2019.

On 15 October 2018, Nanoshields Technology Limited (“Nanoshields”) as purchaser, an indirect wholly-owned subsidiary of the Company, and ELMARCO s.r.o. (“ELMARCO”) as vendor, entered into the Equipment Sales Agreement with the vendor in relation to the purchase of equipment, four independent separately operated production lines, at the consideration of approximately EUR6.3 million (or approximately HK\$57.2 million as at contract date). The completion is subject to the final acceptance test of the fourth production line or by 1 July 2022, whichever is earlier.

The consideration will be satisfied by the internal resources of the Group without recourse to the net proceeds from the Company’s share offer completed in January 2015.

For more details, please refer to the announcements of the Company dated 15 October 2018.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2019, the Group had not made any material acquisition or disposal of subsidiaries and associated companies.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group manages its capital structure with the aim to ensure the Group will be able to continue as a going concern, maximize the return to the shareholders of the Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management reviews the capital structure regularly by considering the risk and benefit associated with each class of capital and adjusts the capital structure as it sees fit and appropriate.

As at 31 December 2019, the Group had cash and bank balances amounted to approximately HK\$471.5 million (2018: HK\$421.4 million) which were mainly denominated in United States dollars (“USD”), Renminbi (“RMB”) and Hong Kong dollars (“HKD”). The Group had bank overdrafts and bank borrowings of approximately HK\$47.8 million (2018: HK\$35.5 million) and Nil (2018: HK\$145.2 million) respectively as at 31 December 2019. The annual interest rate of the bank overdrafts and bank borrowings during the year ended 31 December 2019 ranged from 1.6% to 5.0% (2018: ranged from 3.5% to 4.5%) and Nil (2018: ranged from 1.3% to 4.3%) respectively.

Gearing ratio

The Group’s gearing ratio is calculated as total borrowings, which is the summation of bank overdrafts, bank borrowings, lease liabilities and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 31 December 2019 and 2018 were 9.2% and 27.9% respectively. The decrease of the gearing ratio was mainly due to repayment of bank borrowings during the year.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in USD and incurs cost in HKD and RMB. The Group is exposed to foreign exchange risk with respect mainly to USD and RMB which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of RMB and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any hedging policy.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$18.0 million (2018: HK\$18.8 million), bond classified as financial assets at fair value through profit or loss of approximately HK\$7.6 million (2018: HK\$7.6 million) and pledged bank deposits of HK\$22.2 million (2018: HK\$22.1 million) were pledged to secure general banking facilities granted to the Group.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Company's share offer in January 2015 amounted to approximately HK\$219.8 million (after deducting underwriting commissions and all related expenses). Such net proceeds are intended to be or have been applied in accordance with the proposed application as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 31 December 2014 (the "Prospectus"). As at 31 December 2019, approximately HK\$113.9 million of the proceeds raised has been utilised and the unused proceeds were deposited in licensed banks in Hong Kong. In the event that the Directors decided to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Management Discussion and Analysis

The amounts utilised as at 31 December 2019 are as follows:

Purposes of net proceeds as disclosed in the Prospectus	Percentage	As at 31 December 2019		Remaining balance (HK\$' million)
		Amount of net proceeds (HK\$' million)	Amount utilised (HK\$' million)	
1. To broaden customer base, to expand penetration in existing markets and to penetrate into new markets	5%	11.0	11.0	–
2. To enhance our product design, development and engineering capabilities	22%	48.4	48.4	–
3. To establish flagship stores, with one flagship store in Shanghai by end of 2015, and expand our retail sales networks and e-commerce business in the PRC	15%	33.0	26.0	7.0
4. To purchase and renovate office premises	45%	98.9	–	98.9
5. To enhance our information technology infrastructure	3%	6.5	6.5	–
6. For working capital and general corporate purposes	10%	22.0	22.0	–
	100%	219.8	113.9	105.9

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities (2018: Nil).

CAPITAL COMMITMENTS

As at 31 December 2019, the Group has capital commitment of approximately HK\$27.5 million (2018: approximately HK\$42.1 million) for the purchase of and addition to property, plant and equipment.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and has steered its development and protection of the interests of the shareholders of the Company ("Shareholders") in an enlightened and open manner. The Board comprises two executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules. During the year under review and up to the date of this report, the Company has complied with the CG Code, except for code provision A.2.1, which provides that, among other things, the role of chairman of the board and the chief executive officer of a listed issuer shall be separate and shall not be performed by the same individual.

Mr. Wong Siu Wah is both the chief executive officer and the chairman of the Board of the Company which deviates from code provision A.2.1. The Board considers that vesting the role of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board composition and structure taking into account the background and experience of the Directors and the number of independent non-executive Directors on the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company's securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the year and up to the date of this report.

BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established four Board committees, being the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee (each a "Board Committee" and collectively the "Board Committees"), to oversee different areas of the Company's affairs.

The Board currently comprises two executive Directors, namely Mr. Wong Siu Wah and Ms. Wong Fook Chi and three independent non-executive Directors, namely, Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie.

Their biographical details and (where applicable) their family relationships are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 6 to 8 in this annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors are available on the Stock Exchange's and the Company's website.

Corporate Governance Report

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance. All Board members 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 Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

The attendance of Directors at the Board Meetings, the Board Committees Meetings and Annual General Meeting during the year is set out in the table below:

Director	Meetings Attended/Held					Annual General Meeting
	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	
Executive Director						
Mr. Wong Siu Wah	4/4	N/A	2/2	1/1	N/A	1/1
Ms. Wong Fook Chi	4/4	N/A	2/2	N/A	2/2	1/1
Independent Non-Executive Director						
Dr. Lau Kin Tak	4/4	3/3	2/2	1/1	2/2	1/1
Mr. Anthony Graeme Michaels	4/4	3/3	2/2	1/1	N/A	1/1
Ms. Leung Wai Ling, Wylie	4/4	3/3	2/2	1/1	2/2	1/1

DIRECTORS' AND OFFICERS' INSURANCE

Appropriate insurance coverage has been arranged in respect of potential legal actions against the Directors and officers of the Company.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

All Directors are provided with regularly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices.

The Directors understand the importance of continuous professional development and are committed to participate in suitable training to develop their knowledge and skills.

Based on the information provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2019 is as follows:

Name of Directors	Nature of trainings received (Note)
Executive Directors	
Mr. Wong Siu Wah	(1) (2)
Ms. Wong Fook Chi	(1) (2)
Independent Non-Executive Directors	
Dr. Lau Kin Tak	(1) (2)
Mr. Anthony Graeme Michaels	(1) (2)
Ms. Leung Wai Ling, Wylie	(1) (2)

Note:

- (1) Participation in seminars and/or meetings and/or forums and /or briefings
- (2) Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other rules and regulations

INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. They serve actively on the Board and its committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent nonexecutive Directors, representing more than one-third of the Board. One of the independent non-executive Directors namely, Ms. Leung Wai Ling, Wylie, has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director has submitted confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent.

BOARD COMMITTEES

The Board is supported by four committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and the Risk Management Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference are available on the respective websites of the Stock Exchange and the Company.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

(i) Audit Committee

The Audit Committee was established on 22 December 2014 in compliance with Rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Ms. Leung Wai Ling, Wylie, Dr. Lau Kin Tak and Mr. Anthony Graeme Michaels. Ms. Leung Wai Ling, Wylie, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

The principal duties of the Audit Committee are to assist the Board in reviewing, supervising and providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties as assigned by the Board.

The Audit Committee held 3 meetings in 2019. At the meetings, the Audit Committee has reviewed the interim results for the six months ended 30 June 2019 and the consolidated financial statements of the Group for the year ended 31 December 2018, including the accounting principles and practices adopted by the Group and report prepared by the external auditor covering major findings in the course of the audit. The final results for the year ended 31 December 2019 were reviewed by the Audit Committee in March 2020.

(ii) Remuneration Committee

The Remuneration Committee was established on 22 December 2014. The Remuneration Committee comprises three independent non-executive Directors and two executive Directors, namely Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels, Ms. Leung Wai Ling, Wylie, Mr. Wong Siu Wah and Ms. Wong Fook Chi. Dr. Lau Kin Tak is the chairman of the Remuneration Committee. The Remuneration Committee makes recommendations to the Board on, among other matters, our Company's policy and structure for the remuneration of all Directors and senior management and has been delegated the responsibility to determine on behalf of the Board the specific remuneration packages for all Executive Directors and senior management.

The Remuneration Committee held 2 meetings during the year to review the Group's remuneration policy for the Directors and senior management for the year ended 31 December 2019.

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the consolidated financial statements.

(iii) Nomination Committee

The Nomination Committee was established on 22 December 2014. It comprises three independent non-executive Directors and one executive Director, namely Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels, Ms. Leung Wai Ling, Wylie and Mr. Wong Siu Wah. Mr. Wong Siu Wah is the Chairman of the Nomination Committee.

The director nomination policy aims to set out the relevant selection criteria and nomination procedures. In assessing the suitability of a proposed candidate, the following criteria would be considered as reference by the Nomination Committee, including but not limited to:

- (a) Character and integrity.
- (b) Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- (c) Any measurable objectives adopted for achieving diversity on the Board.
- (d) Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- (e) Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- (f) Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. A circular setting out information as required pursuant to the applicable laws, rules and regulations of the proposed candidates will be sent to the shareholders. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee held 1 meeting during the year ended 31 December 2019. The principal responsibilities of the Nomination Committee include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also evaluates the Board's performance and makes recommendations for the appointment and re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

(iv) Risk Management Committee

The Company established a Risk Management Committee pursuant to a resolution of the Directors passed on 22 December 2014. The primary duties of the Risk Management Committee are to review the Company's risk management policies and standards and supervise and monitor the Company's exposure to sanction law risks. The Risk Management Committee currently consisted of Ms. Wong Fook Chi, Dr. Lau Kin Tak and Ms. Leung Wai Ling, Wylie and is currently chaired by Ms. Wong Fook Chi.

The Risk Management Committee held 2 meetings during the year to identify, evaluate, minimize, manage and monitor business and control risks encountered by the Group for the year ended 31 December 2019.

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference in compliance with provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and relevant disclosure in the corporate governance report of the annual report of the Company.

BOARD PROCEEDINGS

Regular board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to Directors not less than 3 days before the relevant meeting is held. Directors may propose to the Chairman or the Company Secretary to include matters in the agenda for regular board meetings.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at board meetings and abstain from voting in favour of the related board resolutions as appropriate.

Minutes of meetings of the Board and Board Committees are kept by the Company Secretary in sufficient details of the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of minutes are sent to all Directors for their comments and records respectively within a reasonable time after the board meeting is held.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures are followed.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for specific terms not more than three years. Each of the Directors will be subject to retirement and re-election at annual general meeting of the Company ("AGM") in accordance with the Company's articles of association.

In accordance with the Company's articles of association, a person may be appointed as a Director either by the Shareholders in general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the Shareholders. In addition, all Directors are required to retire by rotation at least once every three years at the AGM, and are eligible for re-election by the Shareholders.

BOARD DIVERSITY POLICY

The Company has adopted a Board diversity policy in accordance with the requirements set out in the code provisions of the CG Code. The Company recognizes the benefits of having a diverse Board, and sees diversity at the Board level is essential in achieving a sustainable and balanced development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, educational background, ethnicity, professional experience, skills, knowledge, industry experience and expertise. All Board appointments are based on meritocracy and considered against a variety of criteria, having due regard for the benefits of diversity on the Board.

COMPANY SECRETARY

Mr. Wan Hok Yin ("Mr. Wan"), the company secretary of the Company ("Company Secretary"), is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. He also serves as the secretary of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. Mr. Wan is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters.

The Company Secretary had duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROL

Financial reporting

The Board acknowledges its responsibility to prepare the Group's financial statements which give a true and fair view of the Group's financial position, financial performance and cash flows for the year and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and not aware of any material uncertainties relating to events or conditions that may affect the business of the Group or cast doubts on its ability to continue as going concern.

The responsibilities of BDO Limited, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Risk management and internal controls

The Board is responsible for overseeing the internal control system and risk management of the Group and for reviewing its effectiveness and adequacy on an ongoing basis.

In order to safeguard the Group's assets, effectiveness of business operation, ensure the reliability of financial report that the Company employs in its business or releases to the public and ensure compliance with relevant laws and regulations, the Company has established the risk management and internal control system and conducts regular reviews of the effectiveness of the such system through the Audit Committee, executive management, functional departments, external advisers and external auditor. The internal control system and risk management are designed to manage rather than eliminate the risk of to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

In order to comply with the applicable CG Code to the Listing Rules, the Board has retained an external professional consultant to carry out the internal audit functions of the Company during the year, with a view to facilitating adequacy of resources and quality of review to satisfy the Group's internal audit function as required by the Stock Exchange and to assist the Board in performing annual reviews on the effectiveness of the Group's internal control systems for the year ended 31 December 2019. The reviews cover material controls including financial, operational and compliance controls at entity and operational levels. The Audit Committee and the Board have discussed and reviewed the relevant results of the review. The Board had conducted review of the effectiveness of the risk management. The Group will continuously enhance its internal control systems according to findings therein and recommendations made to the Group and risk management.

The Group has established procedures in handling and dissemination of inside information in an accurate and secure manner and to avoid possible mishandling of inside information within the Group.

Based on the risk management and internal control systems established and maintained by the Group, the review of the effectiveness of risk management and internal control systems performed by the management, respective Board Committees and the Board, the Board is of the view that the Group has maintained sound and effective risk management and internal control system during the year ended 31 December 2019.

EXTERNAL AUDITOR

BDO Limited has been appointed as the external auditor of the Company for the year ended 31 December 2019. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by BDO Limited and considered that such services have no adverse effect on the independence of the external auditor.

During the year ended 31 December 2019, the remuneration paid and payable to BDO Limited is set out as below:

	2019 HK\$'000
Audit service	930
Non-audit services:	
Professional service fees in relation to agreed upon procedures on interim financial information	10
Tax compliance services	109
	1,049

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 31 December 2019.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, enable all its Shareholders an equal opportunity to exercise their rights in an informed manner and allow all Shareholders to engage actively with the Company. Under the Company's articles of association, the Shareholders communication policy and other relevant internal procedures of the Company, the Shareholders of the Company enjoy, among others, the following rights:

(i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of the Shareholders through AGMs and other general meetings where the Shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the Shareholders not less than 20 clear business days before the AGMs and not less than 10 clear business days for all other general meetings. At the general meetings, separate resolutions will be proposed on each substantial issue, including the election of individual Directors.

(ii) Enquiries and proposals to the Board

The Company encourages Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board Committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the principal place of business of the Company in Hong Kong currently situated at 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong or via email to ir@kingsflair.com.hk.

(iii) Convening extraordinary general meetings

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary and deposited at the principal place of business of the Company in Hong Kong currently situated at 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

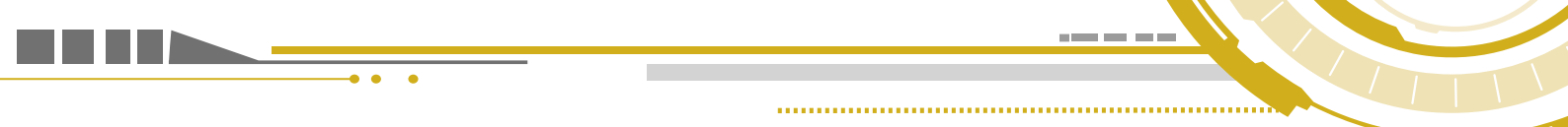
The notice of extraordinary general meeting together with the accompanying circular setting out the relevant information as required under the Listing Rules shall be sent to Shareholders at least 10 clear business days prior to the extraordinary general meeting. Poll voting has been adopted for decision-making at Shareholders' meetings to ensure that each share is entitled to one vote. Details of the poll voting procedures will be set out in the circular sent to Shareholders prior to the meeting and explained at the commencement of the meeting. Voting results will be posted on the Company's website on the day of the extraordinary general meeting.

(iv) Procedures for proposing a person for election as a Director

Pursuant to Article 85 of the articles of associations of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a written notice ("Notice") signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such Notice is given of his intention to propose such person for election. If a Shareholder wishes to propose a person other than a Director for election as a Director at a general meeting, the Shareholder shall lodge a Notice signed by himself and the person to be proposed of his willingness to be elected at the principal place of business of the Company in Hong Kong or at the Hong Kong share registrar and transfer office of the Company provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, there was no change in the memorandum and articles of association of the Company.



DIRECTORS' REPORT

The Directors of the Company present their annual report together with the audited financial statements of the Group for the year ended 31 December 2019.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 25 June 2012 with limited liability and the issued shares of the Company became listed on the Main Board of the Stock Exchange on 16 January 2015 ("Listing Date").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of its principal subsidiaries are set out in note 42 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

Review of the business

A review of the business of the Group and an analysis of the Group's performance during the year are provided in "Chairman's Statement" on pages 3 to 5 and "Management Discussion and Analysis" on pages 9 to 14 of this annual report.

Principal risks and uncertainties

The Directors of the Group monitor the risks and uncertainties exposed to the Group continuously. Risks and uncertainties including foreign currency risk, credit risk, interest rate risk, price risk, liquidity risk and fair value risk exposed to the Group were described in note 44 to the consolidated financial statements of this annual report.

The Group's profitability and growth is also affected by the uncertainties of the global market environment such as the global growth of gross domestic product, cost of the commodities, fluctuation of foreign currency exchange rate and change in consumer preference and behavior as well. These risks and uncertainties has a potential negative impact on the Group's profitability. The Directors of the Group monitor closely on those factors and will adjust the Group's strategy accordingly.

Future development

The Group's future business development is set out in "Chairman's Statement" on pages 3 to 5 and "Management Discussion and Analysis" on pages 9 to 14 of this annual report.

Key performance indicators

The key performance indicators for the Group comprise total revenue, gross profit, profit for the year and gearing ratio.

The revenue of the Group decreased by approximately 1.7% to approximately HK\$1,540.4 million in 2019 as compared to that of approximately HK\$1,566.9 million for the year 2018.

The gross profit increased by approximately 9.8% to approximately HK\$312.5 million for the year ended 31 December 2019 from approximately HK\$284.6 million in year 2018.

The profit for the year increased by approximately 4.9% to approximately HK\$138.3 million compared to approximately HK\$131.9 million in year 2018.

The gearing ratio decreased from approximately 27.9% in year 2018 to approximately 9.2% in year 2019 representing a decrease of 18.7%.

Details of the changes of the Group's performance indicators are shown in "Management Discussion and Analysis" section on pages 9 to 14 of this annual report.

Environmental policies

The Group has an environmental policy in place and the Group commits to contribute to the protection of the environment. The Group has the policy of efficient use of energy in the offices that the staff is required to switch off the light during lunch hour and before leaving office. This helps to minimize the consumption of electrical energy that reduces carbon emission.

Moreover, the Group encourages the use of recycled paper and the recycling of material namely paper, plastic and metal through the collection cabinets located in the offices which minimize the impact on the natural environment. At the same time, this policy also helps to reduce wastage.

The environment, social and governance report as required by the Listing Rules will be issued separately by the Company before 30 June 2020.

Compliance with laws and regulations

The Group recognizes the importance of the compliance with laws and regulations. Hence, the Group has been allocating resources to ensure the compliance with the law and regulation requirement in the location such as the US, the European Region (the "EU") and the PRC in which the Group has business activities or operation.

The safety of the products is always one of the major emphasis of the Group. The Group has been dedicating resources to ensure its products fulfilling the laws and regulations on product safety enforced in different markets. Laws and regulations like Federal Food, Drug and Cosmetic Act in US, the General Product Safety Directive and the Registration, Evaluation, Authorization of Chemicals in EU and the Product Quality Law of the PRC affecting the Group's products were fully observed and complied with by the Group.

The Group sells its products worldwide and the transactions were subject to various tax and surcharges such as customs duties and valued added tax. The Group complied with those regulations and settled all the liabilities in accordance to those regulations.

The Group is also subject to various laws and regulations in Hong Kong where its head office and principal place of business is located. The Directors regularly monitor the Group's operation to ensure compliance with the laws and regulations such as Companies Ordinance, the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance and the Listing Rules.

Company's key relationships with its employees/customers/suppliers

The Group is committed to maintain a good relation with its stakeholders comprising employees, customers and suppliers in order to sustain the growth of the Group as well as the creation of interest of the stakeholders.

Employees

The Group recognizes the importance of human resources which is one of the critical components to the success of the Group. The Group offers competitive remuneration package with high performance incentive to retain elite employees including salaries, medical insurance, discretionary bonuses and other long service rewards to commensurate with the individual's contribution to the Group. The Group values loyalty and employees personal growth. While technical training and supports programs are provided regularly to keep our employees competitive with the market, education sponsorship are also available to selected ones who are, amongst other things, highly self-motivated and support the Group's growth for career enhancement.

Customers

Although the Group has no long term contract with customers, it is able to provide a one stop service for the customer need from raw material selection, design, engineer, supply chain management, and PRC retail services. Instead of finding multiple partners to handle each services separately, the Group enables customer to maintain their product quality and brand consistency from beginning to retail using the Group's one stop service. Through these close ties and long-term business relationship, the Group can understand the requirement of the customers and react quickly and effectively to the need of the customers. This helps to create cohesiveness with the customer and the Group is able to maintain solid and long-term partnership with the existing customers which form a foundation for the growth of the Group.

Suppliers

The Group outsources the entire manufacturing function to production factories in the PRC and those factories are the suppliers of the Group. The Group maintains a supportive and long-term relationship with the suppliers with supports such as careful production planning, technology upgrades, production operations monitoring. In addition, the Group also maintains steady relationship with suppliers of raw materials, both in relation to those procured on behalf of the production factories and those in the Group's raw material trading business.

RESULTS AND APPROPRIATION

The consolidated results of the Group for the year ended 31 December 2019 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 42 to 127 of this annual report.

DIVIDEND POLICY

The Board has approved and adopted the dividend policy (the "Dividend Policy"). The Dividend Policy aims to provide stable and sustainable returns to the shareholders of the Company. In deciding whether to propose a dividend and in determining the dividend amount, the Board would take into account, among others, the following factors:

- (i) the financial performance, liquidity position, business condition and strategies of the Group;
- (ii) the actual and future operation and demands for liquidity of the Group;
- (iii) the expected future expansion plan and working capital requirements of the Group;
- (iv) gearing ratio, credit facilities and indebtedness level of the Group;
- (v) after-tax profit, retained profits and distributable reserves of the Group;
- (vi) the expectation of the Shareholders and investors and industrial practices;
- (vii) general market condition;
- (viii) the restrictions against declaration of dividends (if any); and
- (ix) any other relevant factors which the Board may deem appropriate.

In proposing or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements, future growth and its shareholding value. Any declaration and payment of dividends by the Company will also be subject to any restrictions under the Companies Laws of the Cayman Islands, the memorandum and articles of association of the Company and any applicable laws, rules, regulations.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Directors resolved to recommend the payment of a final dividend of HK6.0 cents amounting in aggregate to approximately HK\$42.0 million. In order to celebrate the 5th anniversary of listing and thank all shareholder for their long-term support, the Directors also proposed a special dividend of HK20.0 cents per share amounting to approximately HK\$140.0 million. Together with the interim dividend and special dividend of HK7.0 cents per share in total already paid, the total dividend for the year would be HK33.0 cents per share (2018: HK13.0 cents per share), representing an approximately 184.9% dividend ratio. Excluding the special dividend, the total interim and final dividends of HK11.5 cents per share (2018: HK11.5 cents per share), representing an approximately 64.4% dividend ratio. The payment of the proposed final and special dividends is subject to the approval of the Shareholders at the forthcoming annual general meeting ("AGM") to be held on Friday, 29 May 2020 and are payable to Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 15 July 2020. It is expected that the proposed final and special dividends will be paid on or about Friday, 17 July 2020. Notice of AGM will be published and despatched to Shareholders in the manner required by the Listing Rules in due course.

CLOSURES OF REGISTER OF MEMBERS

Annual General Meeting

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 25 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the AGM, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 22 May 2020.

Final Dividend and Special Dividend

In order to establish entitlements to the proposed final and special dividends, the register of members of the Company will be closed from Monday, 13 July 2020 to Wednesday, 15 July 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the proposed final and special dividends, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 10 July 2020.

SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 128 of this annual report. The summary does not form part of the audited financial statements.

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 45 and in note 37 to the consolidated financial statements, respectively of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 December 2019, distributable reserves of the Company calculated under the laws of Cayman Islands amounted to HK\$472,313,000 (2018: HK\$471,754,000).

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENTS

During the year, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies.

CHARITABLE DONATIONS

Total donations made by the Group for charitable and other purposes during the year amounted to HK\$7,429,000 (2018: HK\$1,876,000).

PROPERTY, PLANT AND EQUIPMENT

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

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively for the year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	43.4%	
Five largest customers in aggregate	71.3%	
The largest supplier		18.3%
Five largest suppliers in aggregate		53.2%

At no time during the year have the Directors, their close associates or any Shareholders of the Company (which to the best knowledge of the Directors owned more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

DIRECTORS

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

Executive Directors

Mr. Wong Siu Wah (*Chairman and Chief Executive Officer*)

Ms. Wong Fook Chi

Independent non-executive directors

Dr. Lau Kin Tak
 Mr. Anthony Graeme Michaels
 Ms. Leung Wai Ling, Wylie

In accordance with the Company's articles of association, Mr. Wong Siu Wah and Ms. Leung Wai Ling, Wylie shall retire at the AGM and being eligible, offer themselves for re-election at the forthcoming AGM.

Biographical details of the Directors are set out on pages 6 to 8 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of two years commencing from 22 December 2019, which shall continue thereafter unless terminated by not less than three month's written notice served by either party.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of two years commencing from 22 December 2019.

In accordance with the Company's articles of association, at every AGM of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. None of the Directors proposed for re-election at the AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as those disclosed in the sub-section headed "Directors' Service Contracts" above and "Connected Transactions and Continuing Connected Transactions" below, none of the Directors, the controlling shareholders of the Company and/or their respective close associates has a significant interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during the year under review.

CONTRACT OF SIGNIFICANCE

During the year under review, save as disclosed in the sub-section headed "Connected Transactions and Continuing Connected Transactions" below, no contract of significance in relation to the Group's business in which the Company, any of its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2019, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Long positions in the shares of the Company				Total	Percentage (%)
	Personal interests	Family interests	Corporate interests	Other interests		
Wong Siu Wah ("Mr. Wong")	–	–	525,000,000 (Note)	–	525,000,000	75%

Note:

The 525,000,000 shares comprise 105,000,000 shares held by First Concord Limited, which is held as to 60% by Mr. Wong and as to 40% by Ms. Cheng Rebecca Hew Hong ("Ms. Cheng") and 420,000,000 Shares held by City Concord Limited, which is 100% held by Mr. Wong. Accordingly, Mr. Wong is deemed to be interested in the shares held by First Concord Limited and City Concord Limited.

Save as disclosed above, as at 31 December 2019, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required 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.

Save as disclosed above, at no time during the year ended 31 December 2019 was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Group's business subsisted during the financial year under review.

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the following persons (not being the directors or chief executive of the Company) who had interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Interests in Shares

Name of substantial shareholder	Capacity/nature of interests	Number of shares held (Note 1)	Approximate percentage of issued share capital (%)
First Concord Limited (Note 2)	Beneficial owner	105,000,000 ^(L)	15%
City Concord Limited (Note 3)	Beneficial owner	420,000,000 ^(L)	60%
Ms. Cheng Rebecca Hew Hong	Interest of controlled corporation and interest of spouse	525,000,000 ^(L)	75%

Notes:

- The letter "L" denotes a long position in the Shareholder's interest in the share capital of the Company.
- First Concord Limited is held as to 60% by Mr. Wong and 40% by Ms. Cheng. Mr. Wong and Ms. Cheng are both deemed to be interested in the 105,000,000 shares held by First Concord Limited.
- City Concord Limited is wholly and beneficially owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in the 420,000,000 shares held by City Concord Limited. Ms. Cheng is deemed to be interested in the 420,000,000 shares held by City Concord Limited by reason of her being the spouse of Mr. Wong.

Interests in other member(s) of the Group

Name of non-wholly owned subsidiary of the Company	Number of registered substantial shareholders (other than members of the Group)	Percentage of issued share capital (%)
Homespan (HK) Limited	Mr. Christopher Paul Liversey	44%
Manweal Development Limited	Primehill Holdings Limited	32%
寧波家之良品國際貿易有限公司 (Ningbo Homesbrands International Trading Company Limited)	Mr. Lin Zhao	25%

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other person having an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this report, there is no change in the Director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the last published interim report of the Company.

SHARE OPTION SCHEME

On 22 December 2014, the Company has conditionally adopted a share option scheme (the "Share Option Scheme") for the purposes of recognizing and acknowledging the contributions that eligible participants have made or may make to our Group. The Share Option Scheme became unconditional and commenced on 16 January 2015 (the "Listing Date") and will remain in force for 10 years from such date unless otherwise cancelled or amended.

Eligible participants of the Share Option Scheme include (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date (or 70,000,000 shares of the Company) (the "Limit"). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) refresh the Limit at any time to 10% of the shares in issue as at the date of the approval of the Limit (as refreshed) by the Shareholders in general meeting; or
- (ii) grant options beyond the Limit to eligible participants specifically identified by the Board before approval is sought.

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised, cancelled or outstanding options) to each grantee within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any options granted to a substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The exercise period of the options granted is to be determined by the Board, which period may commence from the date of the offer of the options, and ends on a date which is not later than ten years from the date of grant of the options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company non-refundable HK\$1 upon acceptance of the grant.

The exercise price of the options is to be determined by the Board, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet on the date of grant of option, which must be a business day; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of option; and (iii) the nominal value of a share.

As at 31 December 2019, no options have been granted, exercised or lapsed under the Share Option Scheme.

ARRANGEMENTS TO PURCHASE 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 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

LOANS TO OFFICERS

No loans were made to or outstanding from the Company's officers at any time during the year ended, or as at, 31 December 2019.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 15 to 24 of this annual report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

There are no connected transactions or continuing connected transactions undertaken by the Group during the year ended 31 December 2019 which is required to be disclosed pursuant to Chapter 14A of the Listing Rules.

Disclosures in section headed "Related Party Transactions" in note 39 to the consolidated financial statements contain certain continuing connected transactions which are fully exempt from annual review, Shareholders' approval and all disclosure requirements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had approximately 173 employees (2018: 156 employees). Total staff costs (including Directors' emoluments) were approximately HK\$62.9 million for the year ended 31 December 2019, as compared to approximately HK\$50.6 million for the year ended 31 December 2018.

The Group remunerates its employees based on their qualifications, performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong and state managed retirement benefit schemes for employees in the PRC.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

DIRECTORS' REMUNERATION AND TOP FIVE HIGHEST PAID PERSONS

Details of Directors' remuneration and the top five highest paid persons are set out respectively in note 11 to the consolidated financial statements of this annual report.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2019, 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.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year ended 31 December 2019, none of the Directors or any of their respective close associates has engaged in any business that competes or is likely to compete, directly or indirectly, with the business of the Group or, save as disclosed in the sub-section headed "Connected Transactions and Continuing Connected Transactions" above, have any other conflict of interests with the Group.

DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDERS

As disclosed in the Prospectus, the controlling shareholders of the Company (the "Controlling Shareholders"), namely Mr. Wong, Ms. Cheng Hew Hong, Rebecca, City Concord Limited and First Concord Limited, as covenantors entered into a deed of non-competition (the "Deed of Non-competition"), pursuant to which each of the Controlling Shareholders has undertaken to the Company (for the Company and for the benefit of its subsidiaries) that effective upon the completion of initial public offering process of listing (the "Listing"), it/he/she will not, and will procure that its/his/her close associates (as defined under the Listing Rules) will not (a) either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold an interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the Company's business in Hong Kong and any other country or jurisdiction to which the Company provides services and/or in which any member of the Group carries on business from time to time (the "Restricted Activity") or (b) either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, or as a principal, shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise, directly or indirectly, solicit, interfere with or endeavour to entice away from any member in the Group any person, firm, company or organization who to its/his/her knowledge is now or has been a client, supplier or employee of any member in the Group.

Each of the Controlling Shareholders has also undertaken that (a) it/he/she will promptly provide the Company, in writing with any relevant information in respect of any new business opportunity which competes or may compete with the existing and future business of the Group which it/he/she or its/his/her close associates may have knowledge for the Company to assess such new business opportunity, (b) it/he/she will, and will procure its/his/her close associates with material interests to, abstain from voting at all meetings of Directors and holders of Shares on resolutions involving the exercise or non-exercise of the right of the Group to participate in the relevant Restricted Activity, (c) it/he/she will provide all information reasonably required or necessary to the Company for the enforcement of the Deed of Non-competition and (d) it/he/she will make an annual declaration in favour of the Company on whether it/he/she has fully complied with its/his/her obligations under the Deed of Non-competition.

During the year ended 31 December 2019, (i) the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which it/he/she or its/his/her close associates might have knowledge and (ii) each of the Controlling Shareholders had made an annual declaration in favour of the Company that it/he/she had fully complied with its/his/her obligations under the Deed of Non-competition.

In view of the above, no annual review was required to be performed by the independent non-executive Directors with regard to the information provided by the Controlling Shareholders under the Deed of Non-competition and no decision was required to be made by the independent non-executive Directors on whether or not to exercise the Company's rights in respect of the compliance and enforcement of the Deed of Non-competition.

SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public (as defined in the Listing Rules) as at the date of this annual report.

EVENTS AFTER THE REPORTING DATE

Other than the outbreak of COVID-19 which has been discussed in the section headed "Management Discussion and Analysis — Future Strategy" in this report, no significant events affecting the Group has taken place subsequent to 31 December 2019 and up to the date of this report.

AUDITOR

The financial statements of the Group for the year ended 31 December 2019 have been audited by BDO Limited. A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as the auditor of the Company.

On behalf of the Board

Wong Siu Wah

Chairman and Chief Executive Officer

Hong Kong, 23 March 2020

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF KING'S FLAIR INTERNATIONAL (HOLDINGS) LIMITED (INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

OPINION

We have audited the consolidated financial statements of King's Flair International (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 127, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 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 MATTERS

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

KEY AUDIT MATTERS *(Continued)***Impairment assessment of trade receivables**

(Refer to notes 21 and 44.1(b) to the consolidated financial statements and the accounting policy as set out in note 4.12 (ii) to the consolidated financial statements)

As at 31 December 2019, the Group had gross trade receivables amounting to HK\$308,099,000, and the allowance for impairment loss was HK\$1,377,000.

The impairment assessment of trade receivables is estimated based on an expected credit loss ("ECL") model as required under HKFRS 9 Financial Instruments. Loss allowance for trade receivables are measured with lifetime ECL which result from all possible default events over the expected life of the trade receivables. Impairment assessment of trade receivables is a subjective area as management requires application of judgement. Judgement is applied in considering the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of trade receivables, adjusted for forward-looking factors specific to the debtors and the economic environment.

We have identified impairment assessment of trade receivables as a key audit matter due to considerable amount of judgement being required in conducting impairment assessment prepared by management as mentioned in the foregoing paragraph.

Our responses

Our audit procedures in relation to management's impairment assessment on trade receivables included:

- Obtaining an understanding of how impairment is estimated by the management.
- Assessing the measurement of ECL of trade receivables by obtaining the understanding of approach being adopted by the Group.
- Testing the ageing analysis of the trade receivables, on a sample basis, to the source documents.
- Reviewing the reasonableness of the use of ageing profile, historical settlement pattern, historical default rates, forecast economic conditions and other forward-looking information in the ECL model.
- Checking the accuracy and the relevance of the input data being used in the ECL model.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO Limited

Certified Public Accountants

Lui Chi Kin

Practising Certificate Number P06162

Hong Kong, 23 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	7	1,540,412	1,566,864
Cost of sales		(1,227,891)	(1,282,245)
Gross profit		312,521	284,619
Other income and gains, net	8	12,473	6,646
Distribution expenses		(48,364)	(44,814)
Administrative expenses		(111,934)	(93,549)
Share of result of an associate		4,827	5,715
Finance costs	9	(1,932)	(952)
Profit before income tax	10	167,591	157,665
Income tax expenses	12	(29,256)	(25,719)
Profit for the year		138,335	131,946
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		(880)	–
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(501)	(127)
Other comprehensive income for the year		(1,381)	(127)
Total comprehensive income for the year		136,954	131,819
Profit for the year attributable to:			
Owners of the Company		124,945	118,003
Non-controlling interests		13,390	13,943
		138,335	131,946
Total comprehensive income attributable to:			
Owners of the Company		123,826	117,962
Non-controlling interests		13,128	13,857
		136,954	131,819
Earnings per share:	13	HK cents	HK cents
– Basic		17.8	16.9
– Diluted		17.8	16.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	66,688	38,079
Prepaid land lease payments	16	–	1,623
Other asset	17	172	172
Interests in associates	18	13,540	8,713
Intangible asset	19	–	–
Deposits paid for property, plant and equipment	22	13,811	23,904
Financial assets at fair value through other comprehensive income	24	2,570	3,450
Deferred tax assets	35	69	6
		96,850	75,947
Current assets			
Inventories	20	45,952	64,851
Trade receivables	21	306,722	360,862
Prepayments, deposits and other receivables	22	49,109	79,414
Financial assets at fair value through profit or loss	23	53,125	53,053
Amounts due from associates	18	548	492
Prepaid tax		–	9,866
Pledged bank deposits	25	22,169	22,083
Cash and bank balances	26	471,536	421,415
		949,161	1,012,036
Current liabilities			
Trade and bills payables	27	121,534	120,754
Other payables and accruals	28	72,816	58,893
Contract liabilities	29	10,476	7,562
Bank overdrafts	30	47,788	35,453
Bank borrowings	31	–	145,233
Lease liabilities	32	4,642	–
Loans from non-controlling interests	33	10,646	13,087
Amount due to an associate	34	8,239	1,980
Provision for tax		19,504	5,158
		295,645	388,120
Net current assets		653,516	623,916
Total assets less current liabilities		750,366	699,863

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current liabilities			
Lease liabilities	32	5,114	–
Deferred tax liabilities	35	4,412	4,936
		9,526	4,936
Net assets		740,840	694,927
EQUITY			
Equity attributable to owners of the Company			
Share capital	36	7,000	7,000
Reserves	37	704,210	669,696
		711,210	676,696
Non-controlling interests		29,630	18,231
Total equity		740,840	694,927

The consolidated financial statements on pages 42 to 127 were approved and authorised for issue by the board of directors on 23 March 2020 and are signed on its behalf by:

Wong Siu Wah
Director

Wong Fook Chi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Equity attributable to owners of the Company										Total Equity HK\$'000
	Share capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Financial assets at fair value through other comprehensive income reserve* HK\$'000	Exchange reserve* HK\$'000	Statutory reserve* HK\$'000	Other reserve* HK\$'000	Retained profits* HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2018	7,000	215,385	(4,231)	-	2,281	980	2,867	432,452	656,734	4,374	661,108
2017 final dividend (note 14)	-	-	-	-	-	-	-	(49,000)	(49,000)	-	(49,000)
2018 interim dividend (note 14)	-	-	-	-	-	-	-	(38,500)	(38,500)	-	(38,500)
2018 special dividend (note 14)	-	-	-	-	-	-	-	(10,500)	(10,500)	-	(10,500)
Transactions with owners	-	-	-	-	-	-	-	(98,000)	(98,000)	-	(98,000)
Profit for the year	-	-	-	-	-	-	-	118,003	118,003	13,943	131,946
Other comprehensive income											
- Exchange difference arising on translation of foreign operations	-	-	-	-	(41)	-	-	-	(41)	(86)	(127)
Total comprehensive income for the year	-	-	-	-	(41)	-	-	118,003	117,962	13,857	131,819
Transfer to statutory reserve	-	-	-	-	-	1,765	-	(1,765)	-	-	-
At 31 December 2018, as previously stated	7,000	215,385	(4,231)	-	2,240	2,745	2,867	450,690	676,696	18,231	694,927
Adoption of HKFRS 16 (note 2)	-	-	-	-	-	-	-	(25)	(25)	(16)	(41)
At 1 January 2019 (Restated)	7,000	215,385	(4,231)	-	2,240	2,745	2,867	450,665	676,671	18,215	694,886
2018 final dividend (note 14)	-	-	-	-	-	-	-	(42,000)	(42,000)	-	(42,000)
2019 interim dividend (note 14)	-	-	-	-	-	-	-	(38,500)	(38,500)	-	(38,500)
2019 special dividend (note 14)	-	-	-	-	-	-	-	(10,500)	(10,500)	-	(10,500)
Transactions with owners	-	-	-	-	-	-	-	(91,000)	(91,000)	-	(91,000)
Profit for the year	-	-	-	-	-	-	-	124,945	124,945	13,390	138,335
Other comprehensive income											
- Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(880)	-	-	-	-	(880)	-	(880)
- Exchange difference arising on translation of foreign operations	-	-	-	-	(239)	-	-	-	(239)	(262)	(501)
Total comprehensive income for the year	-	-	-	(880)	(239)	-	-	124,945	123,826	13,128	136,954
Transfer to statutory reserve	-	-	-	-	-	3,496	-	(1,783)	1,713	(1,713)	-
At 31 December 2019	7,000	215,385	(4,231)	(880)	2,001	6,241	2,867	482,827	711,210	29,630	740,840

* The aggregate balances of these reserve accounts of HK\$704,210,000 (2018: HK\$669,696,000) are included as reserves as at 31 December 2019 in the consolidation statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities			
Profit before income tax		167,591	157,665
Adjustments for:			
Amortisation of prepaid land lease payments	10	–	54
Amortisation of intangible asset	10	–	4,807
Depreciation of property, plant and equipment	10	10,464	4,985
Dividend income from listed equity securities	8	(1,428)	(136)
Fair value (gain)/loss on financial assets at fair value through profit or loss, net	8	(72)	3,656
Gain on disposal of property, plant and equipment	8	(200)	(200)
Written-off of property, plant and equipment	10	12	5
Impairment of trade receivables	10	1,122	287
Share of result of an associate		(4,827)	(5,715)
Bank interest income	8	(6,649)	(5,092)
Interest income from unlisted bond	8	(193)	(164)
Interest expenses	9	1,932	952
Operating profit before working capital changes		167,752	161,104
Decrease/(increase) in inventories		18,899	(25,078)
Decrease/(increase) in trade receivables		53,018	(125,306)
Decrease/(increase) in prepayments, deposits and other receivables		30,330	(22,864)
Increase in balances with associates		6,203	1,488
Increase in trade and bills payables		780	37,997
Increase/(decrease) in other payables and accruals		13,719	(14,532)
Increase in contract liabilities		2,914	7,562
Cash generated from operations		293,615	20,371
Income taxes paid		(5,551)	(35,661)
<i>Net cash generated from/(used in) operating activities</i>		288,064	(15,290)
Cash flows from investing activities			
Deposit paid for purchase of property, plant and equipment		(10,797)	(23,904)
Purchase of property, plant and equipment		(2,729)	(2,987)
Purchase of financial assets at fair value through profit or loss		–	(30,001)
Purchase of financial asset at fair value through other comprehensive income		–	(3,450)
Proceeds from disposal of property, plant and equipment		200	200
Dividend received from listed equity securities		1,428	136
Bank interest received		6,649	5,092
Interest received from unlisted bond		193	164
Increase in pledged bank deposits		(86)	(84)
<i>Net cash used in investing activities</i>		(5,142)	(54,834)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Cash flows from financing activities			
Proceeds from bank borrowings	47	40,000	185,233
Repayment of loan from non-controlling interests	47	(2,238)	(7,485)
Repayment of bank borrowings	47	(185,233)	(40,000)
Dividend paid to shareholders of the Company	47	(91,000)	(98,000)
Repayment of principal portion of the lease liabilities	32	(4,354)	–
Interest paid		(1,593)	(952)
<i>Net cash (used in)/generated from financing activities</i>		(244,418)	38,796
Net increase/(decrease) in cash and cash equivalents		38,504	(31,328)
Cash and cash equivalents at the beginning of year		385,962	417,402
Effect on foreign exchange rate changes		(718)	(112)
Cash and cash equivalents at the end of year		423,748	385,962
Analysis of cash and cash equivalents			
Cash and bank balances	26	471,536	421,415
Bank overdrafts	30	(47,788)	(35,453)
Cash and cash equivalents at the end of year		423,748	385,962

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 42 to the consolidated financial statements. The Company and its subsidiaries' (collectively referred to as the "Group") principal places of business are Hong Kong and the People's Republic of China (the "PRC"). There were no significant changes in the Group's operations during the year.

As at 31 December 2019 and up to the date of authorisation of these financial statements, in the opinion of the directors, the Company's ultimate holding company is City Concord Limited, a company incorporated in the British Virgin Islands ("BVI").

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

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2019

In the current year, the Group has applied for the first time the following new/revised HKFRSs and amendments issued by HKICPA which is relevant to and effective for the Group's financial statements for annual period beginning on 1 January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)*(Continued)***(a) Adoption of new/revised HKFRSs – first effective on 1 January 2019** *(Continued)***HKFRS 16 Leases***(i) Impact of the adoption of HKFRS 16*

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease (“HK(IFRIC)-Int 4”), HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) as below.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 (increase/(decrease)):

	HK\$’000
Consolidated statement of financial position as at 1 January 2019	
Assets	
Prepaid land lease payments	(1,623)
Property, plant and equipment	9,989
Deferred tax assets	13
Total assets	8,379
Liabilities	
Lease liabilities (non-current)	5,274
Lease liabilities (current)	3,146
Total liabilities	8,420
Total adjustment on equity	
Retained profits	(25)
Non-controlling interests	(16)
	(41)

Notes to the Financial Statements

For the year ended 31 December 2019

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

(Continued)

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2019 (Continued)

HKFRS 16 Leases (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	HK\$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 31 December 2018	12,873
Less: Short-term leases for which lease terms end within 31 December 2019	(2,338)
Less: Leases of low-value assets	(101)
Less: Leases included in termination option which the Group considers reasonably certain to exercise	(1,588)
Less: Future interest expenses	(426)
Total lease liabilities as of 1 January 2019	8,420

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 was approximately 3.8% per annum.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)*(Continued)***(a) Adoption of new/revised HKFRSs – first effective on 1 January 2019** *(Continued)***HKFRS 16 Leases** *(Continued)***(iii) Accounting as a lessee**

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group presents right-of-use asset in “property, plant and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at cost less accumulated depreciation and any accumulated losses. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Notes to the Financial Statements

For the year ended 31 December 2019

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

(Continued)

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2019 *(Continued)*

HKFRS 16 Leases *(Continued)*

(iii) Accounting as a lessee (Continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group’s incremental borrowing rate.

The Group presents lease liability as a separate line item on the consolidated statement of financial position.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continued to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at 1 January 2019.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(Continued)*

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2019 *(Continued)*

HKFRS 16 Leases *(Continued)*

(v) *Transition (Continued)*

The Group has elected to recognise the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group’s lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Notes to the Financial Statements

For the year ended 31 December 2019

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

(Continued)

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2019 (Continued)

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that repayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests (“LTI”) in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)*(Continued)***(b) New/revised HKFRSs that have been issued but are not yet effective**

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

Notes:

¹ Effective for annual periods beginning on or after 1 January 2020

² The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”.

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Notes to the Financial Statements

For the year ended 31 December 2019

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

(Continued)

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

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

The directors of the Company have performed an assessment on new standards, amendments and interpretations and have concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group’s consolidated financial statements in subsequent years.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for those financial assets stated at fair values, which are measured at fair value as explained in the accounting policies set out in note 4.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

(c) Functional and presentation currency

The consolidated financial statements is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Notes to the Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Associates *(Continued)*

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

4.4 Intangible asset

An intangible asset acquired separately is recognised initially at cost. Intangible asset with indefinite useful life is carried at cost less any accumulated impairment losses.

Intangible asset identified on business combination are capitalised at fair value at the date of acquisition and are stated at cost less accumulated amortisation and any accumulated impairment losses. Customer relationships is amortised on a straight-line basis from the date of acquisition over their estimated useful lives of 5 years. The amortisation is charged to profit or loss. Both the estimated useful lives and method of amortisation are reviewed and adjusted if appropriate, annually.

4.5 Research and development activities

Cost associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are capitalised provided they meet the following recognition requirement:

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) there is intention to complete the product and use or sell it;
- (iii) the Group's ability to use or sell the product is demonstrated;
- (iv) the product will generate probable economic benefits through internal use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and
- (vi) the expenditure attributable to the product can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are capitalised. Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. Amortisation expense is recognised in profit or loss and included in cost of sales.

All other development costs are expensed as incurred.

Notes to the Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, at the following rates per annum:

Owned properties	4% or over the lease term, whichever is shorter
Leasehold improvement	20% or over the terms of the leases of properties, whichever is shorter
Leasehold lands/leased properties	Over the lease term
Plant and machinery	10-20%
Furniture, fixtures and equipment	20%
Motor vehicles and yacht	10-20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

4.7 Prepaid land leases payments

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

4.8 Impairment of non-financial assets

The Group's prepaid land lease payments, property, plant and equipment, other asset, intangible asset, deposits paid for property, plant and equipment, interests in subsidiaries and interests in associates are subject to impairment testing.

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax asset, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Impairment of non-financial assets *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

4.9 Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group presents right-of-use asset in “property, plant and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at cost less accumulated depreciation and any accumulated impairment losses. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Notes to the Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Leasing (accounting policies applied from 1 January 2019) *(Continued)*

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The Group presents lease liability as a separate line item on the consolidated statement of financial position.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

4.10 Leasing (accounting policies applied until 31 December 2018)

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of capital are deducted from capital (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4.12 Financial Instruments

(i) Financial assets

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

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

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

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through profit or loss: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Notes to the Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial Instruments (Continued)

(i) Financial assets (Continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as fair value through profit or loss, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

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

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due. The Group rebuts the presumption that there have been significant increases in credit risk since initial recognition when financial assets are more than 60 days past due as management considers the probability of default is highly correlated with the credit ratings of the debtors than the past due days.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial Instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

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 of 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for that financial asset because of financial difficulties.

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

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables, other payables and accruals, bank overdrafts, bank borrowings, lease liabilities, loans from non-controlling interests and amount due to an associate are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) Effective interest method

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

Notes to the Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial Instruments *(Continued)*

(v) Derecognition

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

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

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.13 Foreign currency

Transactions entered into by the Group in currencies other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate).

Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Foreign currency *(Continued)*

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

4.14 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of merchandises is calculated using the weighted average method while cost of raw materials is calculated using the first-in-first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of consolidated statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.16 Revenue recognition

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Revenue recognition *(Continued)*

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

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

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

(i) Trading of kitchenware and household products

Customers obtain control of the kitchenware and household products when the goods are delivered to and have been accepted by the customers. Revenue is thus recognised upon when the customers accepted the kitchenware and household products. There is generally only one performance obligation.

Some of the Group's contracts with customers from the sales of kitchenware and household products provide customers a right of return (a right to exchange for another product). These rights of return do not allow the returned goods to be refund in cash. The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. Some of the Group's contracts with customers from the sales of kitchenware and household products provide customers a right of return (a right to exchange for the same product due to faulty products). These rights of return do not allow the returned goods to be refund in cash. The Group's obligation to replace faulty products is recognised as a provision (details in note 4.20).

Some of the Group's contracts with customers from the sales of kitchenware and household products provide customers a volume rebate if the customer purchases more than certain volume of kitchenware and household products in a calendar year. The volume rebates give rise to variable consideration. The Group apply the expected value method to estimate the variable consideration. A refund liability would be recognised based on the estimate of the expected value to be paid for the customer's volume based rebate. Any expected volume rebate provision is recognised as refund liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Revenue recognition *(Continued)*

(ii) Trading of raw materials

Customers obtain control of the raw materials when the goods are delivered to and have been accepted by the customers. Revenue is thus recognised upon when the customers accepted the raw materials. There is generally only one performance obligation.

Some of the Group's contracts with customers from the sales of raw materials provide customers a right of return (a right to exchange for the same products due to faulty products). These rights of return do not allow the returned goods to be refund in cash. The Group's obligation to replace faulty products is recognised as a provision (details in note 4.20).

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(iv) Dividend income

Dividend income is recognised when the right to receive dividend payment is established.

4.17 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary difference, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Accounting for income tax *(Continued)*

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.18 Employee benefits

Retirement benefits to employees are provided through a defined contribution plan.

Defined contribution plans

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

According to the relevant regulations in the PRC, the subsidiaries of the Group operating in the PRC are required to participate in central pension schemes operated by the respective local municipal governments, whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the scheme to fund their retirement benefits. Contributions under the scheme are charged to profit or loss as they become payable in accordance with the rules and regulations in the PRC.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Employee benefits *(Continued)*

Short-term employee benefits

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for unused annual leave as a result of services rendered by employees up to the reporting date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

4.19 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

4.20 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

Notes to the Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.21 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial statements reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

The measurement policies the Group uses for reporting segment results are the same as those used in its financial statements prepared under HKFRSs, except that share of results of associates, corporate income and expenses which are not directly attributable of any operating segment, are not included in arriving at the operating result of the reporting segment.

Segment assets include all non-current assets and current assets but interests in associates, prepaid tax and deferred tax assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Segment liabilities exclude provision for tax, deferred tax liabilities and corporate liabilities, which are not directly attributable to the business activities of any operating segment.

4.23 Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate, whilst those relating to the purchase of property, plant and equipment are included as deferred income liability in the statement of financial position and are recognised in profit or loss on straight-line method over the expected lives of the related assets.

Government grants relating to income is presented in gross under "Other income and gains, net" in the consolidated statement of comprehensive income.

Notes to the Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

(i) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or nonstrategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(ii) Net realisable value of inventory

Inventory is stated at the lower of cost and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution and selling expenses. Management reassesses the estimations at each reporting date to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Impairment assessment of trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

At each reporting date, the historical observed default rates would be reassessed and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in note 44.1(b) to the financial statements.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)***(iv) Impairment assessment of non-financial assets**

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(v) Provision for tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(vi) Fair value measurement

Certain of the assets included in the Group's consolidated financial statements require measurement at, or disclosure of, fair value.

The fair value measurements of the Group's financial assets are based on market observable inputs or unobservable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; or
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the financial assets at fair value through profit or loss (note 23) and financial assets at fair value through other comprehensive income (note 24) at fair values.

For more detailed information in relation to the fair value measurement of the financial assets above, please refer to note 44.1(f) to notes to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2019

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(vii) Determining method to estimate variable consideration

Certain contracts for the sale of kitchenware products include volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of kitchenware products with volume rebates. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract.

6. SEGMENT INFORMATION

(i) Operating segment information

The Group has identified its operating segment and prepared segment information based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation to the Group's business components and review of the components' performance. There are two (2018: two) business components in the internal reporting to the executive directors, which are (i) trading of kitchenware and household products and (ii) trading of raw materials.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Revenue from external customers	1,427,920	1,412,451	112,492	154,413	1,540,412	1,566,864
Segment results	155,608	149,633	14,262	6,212	169,870	155,845
Share of result of an associate					4,827	5,715
Unallocated income					3,232	2,700
Unallocated expenses					(10,338)	(6,595)
Profit before income tax					167,591	157,665

Notes to the Financial Statements

For the year ended 31 December 2019

6. SEGMENT INFORMATION (Continued)

(i) Operating segment information (Continued)

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	758,350	790,788	86,042	97,378	844,392	888,166
Prepaid tax					—	9,866
Deferred tax assets					69	6
Interests in associates					13,540	8,713
Unallocated corporate assets [#]					188,010	181,232
Consolidated total assets					1,046,011	1,087,983
Segment liabilities	279,699	379,630*	826	2,745	280,525	382,375*
Provision for tax					19,504	5,158
Deferred tax liabilities					4,412	4,936
Unallocated corporate liabilities					730	587*
Consolidated total liabilities					305,171	393,056

[#] Unallocated corporate assets mainly comprised cash and bank balances which held as general working capital of the Group which are not directly attributable to any operating segment.

^{*} Certain unallocated corporate liabilities for the year ended 31 December 2018 have been represented under segment liabilities of trading of kitchenware and household products in order to conform with the current year's presentation.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:						
Interest income	3,651	2,633	11	2	3,662	2,635
Interest expenses	(1,932)	(952)	—	—	(1,932)	(952)
Depreciation of property, plant and equipment	(10,357)	(4,935)	—	—	(10,357)	(4,935)
Amortisation of intangible asset	—	(4,807)	—	—	—	(4,807)
Impairment of trade receivables	(895)	(213)	(227)	(74)	(1,122)	(287)
Fair value gain/(loss) of financial assets at fair value through profit or loss, net	1,807	(3,656)	—	—	1,807	(3,656)
Additions to non-current segment assets	29,162	26,891	—	—	29,162	26,891

Notes to the Financial Statements

For the year ended 31 December 2019

6. SEGMENT INFORMATION (Continued)

(ii) Disaggregated revenue and geographical segment information

The management determines that the Group is domiciled in Hong Kong, which is the location of the Group's principal place of operations. The Group's revenue from external customers, recognised at a point in time, is divided into the following geographical areas:

	Notes	2019 HK\$'000	2018 HK\$'000
United States		1,096,157	1,128,565
Europe	(a)	107,200	77,117
Asia	(b)	297,728	330,567
Canada		31,140	27,905
Other locations	(c)	8,187	2,710
		1,540,412	1,566,864

Notes:

- (a) Principally included United Kingdom, Switzerland, Belgium and Germany
- (b) Principally included Hong Kong, Japan and the PRC
- (c) Principally included Australia

The geographical location of customers is based on the location of customers. The geographical location of other non-current assets is based on the physical location of the assets. As at 31 December 2019 and 2018, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are located in Hong Kong.

(iii) Information about major customers

An analysis of revenue from customers with whom transactions have exceeded 10% of the Group's revenue for the year was as follows:

	2019 HK\$'000	2018 HK\$'000
Company A	669,290	718,265
Company B	203,117	208,990

As at 31 December 2019, 68% (2018: 74%) of the Group's trade receivables were due from the abovementioned two major customers.

Notes to the Financial Statements

For the year ended 31 December 2019

7. REVENUE

The Group is principally engaged in trading of kitchenware and household products and raw materials. Revenue from sales of kitchenware and household products and raw materials are recognised at a point in time when there is evidence that the control of goods has been transferred to the customer, the customer has adequate control over the goods and the Group has no unfulfilled obligations that affect customer accepting the goods. Revenue recognised during the year is as follows:

	2019 HK\$'000	2018 HK\$'000
Revenue from contracts with customers		
– Sales of kitchenware and household products	1,427,920	1,412,451
– Sales of raw materials	112,492	154,413
	1,540,412	1,566,864

8. OTHER INCOME AND GAINS, NET

	2019 HK\$'000	2018 HK\$'000
Bank interest income	6,649	5,092
Interest income from unlisted bond	193	164
Dividend income from listed equity securities	1,428	136
Recharge from customers	228	2,911
Government grants	3,156	1,654
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	72	(3,656)
Gain on disposal of property, plant and equipment	200	200
Others	547	145
	12,473	6,646

Notes to the Financial Statements

For the year ended 31 December 2019

9. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest charges on financial liabilities at amortised cost:		
Bank borrowings	1,159	314
Bank overdrafts	434	638
Lease liabilities	339	–
	1,932	952

10. PROFIT BEFORE INCOME TAX

	2019 HK\$'000	2018 HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	963	1,053
Cost of inventories sold recognised as expense	1,227,891	1,282,245
Impairment of trade receivables	1,122	287
Depreciation of property, plant and equipment*	10,464	4,985
Amortisation of intangible asset*	–	4,807
Amortisation of prepaid land lease payments*	–	54
Write-off of property, plant and equipment	12	5
Research expenses	80	1,941
Short-term lease expenses	780	–
Low-value lease expenses	68	–
Operating lease rentals in respect of land and buildings and equipment previously classified as operating leases under HKAS 17	–	5,294
Employee benefit expenses (including directors' remuneration as disclosed in note 11.1)		
Wages, salaries and other benefits	50,221	39,283
Discretionary bonuses	9,000	8,061
Contributions to defined contribution schemes	3,664	3,210
	62,885	50,554
Exchange gain, net	(3,955)	(5,922)

* Depreciation and amortisation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK\$39,000 (2018: HK\$54,000) and administrative expenses of approximately HK\$10,425,000 (2018: HK\$9,792,000) for the year ended 31 December 2019.

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

11.1 Directors' emoluments

Directors' emoluments are disclosed as follows:

	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to defined contribution scheme HK\$'000	Total HK\$'000
Year ended 31 December 2019					
<i>Executive directors</i>					
Mr. Wong Siu Wah ("Mr. Wong") [#]	–	5,040	6,000	18	11,058
Ms. Wong Fook Chi [#]	–	494	438	18	950
<i>Independent non-executive directors</i>					
Dr. Lau Kin Tak	180	–	–	–	180
Mr. Anthony Graeme Michaels	180	–	–	–	180
Ms. Leung Wai Ling, Wylie	180	–	–	–	180
	540	5,534	6,438	36	12,548
Year ended 31 December 2018					
<i>Executive directors</i>					
Mr. Wong [#]	–	5,040	4,000	18	9,058
Ms. Wong Fook Chi [#]	–	465	400	18	883
Mr. Wong Ying Wai Dennis	–	401	417	11	829
<i>Independent non-executive directors</i>					
Dr. Lau Kin Tak	171	–	–	–	171
Mr. Anthony Graeme Michaels	171	–	–	–	171
Ms. Leung Wai Ling, Wylie	171	–	–	–	171
	513	5,906	4,817	47	11,283

Notes to the Financial Statements

For the year ended 31 December 2019

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

11.1 Directors' emoluments *(Continued)*

Notes:

- i. No directors waived any emoluments during the year ended 31 December 2019 (2018: Nil).
 - ii. The bonuses are determined by the individual performance of the directors.
 - iii. No emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2019 and 2018.
- # Save as disclosed in the above table, the Group also provided a quarter to the executive directors, Mr. Wong and Ms. Wong Fook Chi. The carrying amount of the Group's leasehold property which was used by the executive directors as a quarter as at 31 December 2019 was HK\$9,669,000 (2018: HK\$10,152,000).

11.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 included two (2018: three) directors, whose emoluments were reflected in the tables presented in note 11.1 above. The emoluments payable to the remaining three (2018: two) individuals for the year are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and allowance	1,973	854
Discretionary bonuses	550	860
Contributions to defined contribution scheme	54	36
	2,577	1,750

The remuneration paid to each of the above non-director individuals for the year fell within the following bands:

	Number of individuals	
	2019	2018
Emolument band:		
Nil to HK\$1,000,000	3	2

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)**11.3 Senior management emolument band**

The remuneration paid to each of the senior management (other than the directors as disclosed in note 11.1 above) for the years ended 31 December 2019 and 2018 fell within the following band:

	Number of individuals	
	2019	2018
Emolument band: Nil to HK\$1,000,000	5	5

12. INCOME TAX EXPENSES

	2019 HK\$'000	2018 HK\$'000
The taxation attributable to the Group's operation comprises:		
Current tax		
– Hong Kong profits tax	22,509	20,479
– Income tax outside Hong Kong	8,174	6,276
	30,683	26,755
Over provision in prior years		
– Hong Kong profits tax	(853)	(137)
Deferred tax (note 35)		
– Credit for the year	(574)	(899)
Income tax expenses	29,256	25,719

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%

Enterprise income tax ("EIT") for the year was calculated at 25% (2018: 25%) of the estimated assessable profits arising from the PRC. Tax losses were utilised to offset against the assessable profit generated by some of the Group's PRC subsidiaries for the years ended 31 December 2018. The income tax for other jurisdictions is calculated at the rates applicable in the respective jurisdictions.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Notes to the Financial Statements

For the year ended 31 December 2019

12. INCOME TAX EXPENSES *(Continued)*

A reconciliation of the income tax expenses and accounting profits at applicable tax rate is as follows:

	2019 HK\$'000	2018 HK\$'000
Profit before income tax	167,591	157,665
Tax at applicable tax rate of 16.5% (2018: 16.5%)	27,653	26,015
Tax effect in different tax rates of subsidiaries operating in other jurisdictions	2,883	2,972
Tax effect on application of two-tiered profit tax regime	(165)	(165)
Tax effect on non-taxable income	(1,259)	(1,731)
Tax effect of non-deductible expenses	1,907	1,307
Tax effect of tax losses not recognised	430	371
Tax effect of utilisation of prior years' tax losses	(543)	(2,973)
Over provision in respect of prior years	(853)	(137)
Tax effect of share of result of an associate	(797)	(943)
Others	–	1,003
Income tax expenses	29,256	25,719

13. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year of HK\$124,945,000 (2018: HK\$118,003,000) and the weighted average of 700,000,000 (2018: 700,000,000) ordinary shares in issue during the year.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2019 and 2018, and hence the diluted earnings per share is the same as basic earnings per share.

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14. DIVIDENDS

Dividends to equity shareholders attributable to the year:

	2019 HK\$'000	2018 HK\$'000
Interim dividend paid in respect of current year of HK5.5 cents (2018: HK5.5 cents) per share	38,500	38,500
Special dividend paid in respect of current year of HK1.5 cents (2018: HK1.5 cents) per share	10,500	10,500
Final dividend paid in respect of the prior year of HK6.0 cents (2018: HK7.0 cents) per share	42,000	49,000
	91,000	98,000

At the board meeting held on 23 March 2020, the board of directors resolved to recommend a final dividend of HK6.0 cents (2018: HK6.0 cents) and a special dividend of HK20.0 cents (2018: Nil) per ordinary share. The proposed final and special dividends have not been recognised as a dividend payable as at 31 December 2019, but will be reflected as an appropriation of retained profits/share premium for the year ending 31 December 2020.

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For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000 (note (a))	Right-of-use assets HK\$'000 (note (a),(b))	Leasehold improvement HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and yacht HK\$'000	Total HK\$'000
At 1 January 2018							
Cost	33,888	–	2,884	11	9,820	25,039	71,642
Accumulated depreciation	(14,297)	–	(2,060)	(11)	(6,676)	(8,461)	(31,505)
Net carrying amount	19,591	–	824	–	3,144	16,578	40,137
Year ended 31 December 2018							
Opening net carrying amount	19,591	–	824	–	3,144	16,578	40,137
Additions	–	–	–	–	2,132	855	2,987
Depreciation	(787)	–	(181)	–	(1,477)	(2,540)	(4,985)
Write off	–	–	–	–	(5)	–	(5)
Exchange realignment	–	–	–	–	(40)	(15)	(55)
Closing net carrying amount	18,804	–	643	–	3,754	14,878	38,079
At 31 December 2018, as previously stated							
Cost	33,888	–	2,845	11	11,780	24,928	73,452
Accumulated depreciation	(15,084)	–	(2,202)	(11)	(8,026)	(10,050)	(35,373)
Net carrying amount	18,804	–	643	–	3,754	14,878	38,079
Adjustments upon application of HKFRS 16 (note 2(a))							
Cost	(16,944)	29,023	–	–	–	–	12,079
Accumulated depreciation	7,542	(9,632)	–	–	–	–	(2,090)
Net carrying amount	(9,402)	19,391	–	–	–	–	9,989
At 1 January 2019, restated							
Cost	16,944	29,023	2,845	11	11,780	24,928	85,531
Accumulated depreciation	(7,542)	(9,632)	(2,202)	(11)	(8,026)	(10,050)	(37,463)
Net carrying amount	9,402	19,391	643	–	3,754	14,878	48,068
Year ended 31 December 2019							
Opening net carrying amount	9,402	19,391	643	–	3,754	14,878	48,068
Additions	–	5,600	4,242	14,152	5,199	–	29,193
Depreciation	(393)	(4,617)	(879)	(121)	(1,996)	(2,458)	(10,464)
Disposal	–	–	–	–	(12)	–	(12)
Exchange realignment	–	(76)	–	–	(16)	(5)	(97)
Closing net carrying amount	9,009	20,298	4,006	14,031	6,929	12,415	66,688
At 31 December 2019							
Cost	16,944	34,501	7,052	14,163	16,783	23,045	112,488
Accumulated depreciation	(7,935)	(14,203)	(3,046)	(132)	(9,854)	(10,630)	(45,800)
Net carrying amount	9,009	20,298	4,006	14,031	6,929	12,415	66,688

For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) At 31 December 2019 the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK\$18,018,000 (2018: HK\$18,804,000) were pledged to secure general banking facilities granted to the Group (note 46).
- (b) For both years, the Group leases various offices, warehouses and equipment for its operations. Lease contracts are entered into for fixed term of 1 years to 3 years, with no extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 32 and 44.1(e) respectively.

The analysis of the net carrying value of right-of-use assets by class of underlying assets is as follow:

	Leasehold lands HK\$'000	Land use rights HK\$'000	Leased properties HK\$'000	Total HK\$'000
Year ended at 31 December 2019				
Opening net carrying amount	9,402	1,623	8,366	19,391
Addition	–	–	5,600	5,600
Depreciation	(393)	(52)	(4,172)	(4,617)
Exchange realignment	–	(29)	(47)	(76)
Closing net carrying amount	9,009	1,542	9,747	20,298

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16. PREPAID LAND LEASE PAYMENTS

	2018 HK\$'000
At beginning of the year	
Cost	2,661
Accumulated amortisation	(924)
Net carrying amount	1,737
For the year ended	
Opening net carrying amount	1,737
Amortisation	(54)
Exchange realignment	(60)
Closing net carrying amount	1,623
At end of the year	
Cost	2,566
Accumulated amortisation	(943)
Net carrying amount	1,623

The carrying amount of the land use rights of HK\$1,623,000 as at 1 January 2019 is classified as right-of-use asset upon the adoption of HKFRS 16 (note 2(a)).

17. OTHER ASSET

	2019 HK\$'000	2018 HK\$'000
Club membership, at cost	172	172

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18. INTERESTS IN ASSOCIATES

The carrying amounts of the interests in associates are analysed as follow:

	2019 HK\$'000	2018 HK\$'000
Share of net assets	10,807	5,980
Goodwill	2,733	2,733
	13,540	8,713

The carrying amounts of amounts due from associates are analysed as follows:

	2019 HK\$'000	2018 HK\$'000
Amounts due from associates	1,018	962
Less: provision for impairment loss	(470)	(470)
	548	492

There is no movement of the impairment loss for amounts due from associates for both years.

Amounts due from associates are unsecured, interest-free and repayable on demand (note 39.2). The associates have financial year-end date of 31 December.

Details of the principal associate as at 31 December 2019 and 2018 is as follow:

Company name	Place of incorporation	Percentage of ownership interests		Principal activity
		2019	2018	
Ignite Hong Kong, Limited ("Ignite HK")	Hong Kong	50%	50%	Licensing of trademarks for kitchenware products in Hong Kong

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18. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of a material associate, adjusted for any difference in accounting policies as follows:

Ignite HK

	2019 HK\$'000	2018 HK\$'000
As at 31 December		
Current assets	20,281	13,016
Current liabilities	(462)	–
Net assets	19,819	13,016
Group's share of the results of the associate	4,827	5,715
Year ended 31 December		
Revenue	10,351	12,178
Profit for the year	9,654	11,431
Total comprehensive income	9,654	11,431

Summarised financial information for individually immaterial associates as follows:

	2019 HK\$'000	2018 HK\$'000
Year ended 31 December		
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	–	–
Aggregate amount of the Group's share of unrecognised loss of those associates:		
– Loss for the year	(44)	(95)
Total comprehensive income	(44)	(95)

The amounts of share of aggregate unrecognised loss from the individually immaterial associates as at 31 December 2019 amounted to HK\$1,788,000 (2018: HK\$1,744,000).

The Group has not incurred any contingent liabilities or other commitments relating to its interests in associates.

19. INTANGIBLE ASSET

	Customer relationships HK\$'000
At 1 January 2018	
Cost	24,031
Accumulated amortisation	(19,224)
Net carrying amount	4,807
Year ended 31 December 2018	
Opening net carry amount	4,807
Amortisation	(4,807)
Closing net carrying amount	–
At 31 December 2018 and 1 January 2019	
Cost	24,031
Accumulated amortisation	(24,031)
Net carrying amount	–
Year ended 31 December 2019	
Opening net carrying amount	–
Amortisation	–
Closing net carrying amount	–
At 31 December 2019	
Cost	24,031
Accumulated amortisation	(24,031)
Net carrying amount	–

Intangible asset represented the customer relationships acquired by the Group in connection with the acquisition of a subsidiary in 2013.

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For the year ended 31 December 2019

20. INVENTORIES

	2019 HK\$'000	2018 HK\$'000
Merchandises	22,953	25,610
Raw materials	22,999	39,241
	45,952	64,851

21. TRADE RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Trade receivables	308,099	361,232
Less: impairment loss allowance	(1,377)	(370)
	306,722	360,862

The Group's trading terms with customers are mainly on credit. The credit terms are generally 0 to 90 days from the invoice date.

At 31 December 2019, the Group did not assign and discount any of its trade debts to a bank for financing purpose.

At 31 December 2018, the Group assigned and discounted part of its trade debts to a bank for financing purpose. In the event of default by the relevant debtors, the Group was obliged to pay the bank for the amount discounted in default. Interest was charged on the discounted debts ranged from 3.3% to 4.3% per annum on the proceeds received from the bank until the date the debtors settled the discounted invoice in full. The Group was therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

21. TRADE RECEIVABLES *(Continued)*

At 31 December 2018, the amount of trade debts assigned to the bank was HK\$242,898,000, of which HK\$83,860,000 was discounted for financing purpose. The discounting arrangement did not meet the requirements under HKFRS 9 for de-recognition of financial assets as the Group substantially retained the risks and rewards of ownership of the discounted debts. At 31 December 2018, trade receivables of HK\$242,898,000 continued to be recognised in the Group's consolidated statement of financial position. The proceeds of the discounting arrangement were included in borrowings as asset-backed financing until the trade receivables were collected or the Group settled any losses suffered by the bank. At 31 December 2018, the asset-backed financing liability amounted to HK\$82,233,000 (note 31). The carrying amounts of the assets and associated liabilities under the discounting arrangement approximated to their fair values as at 31 December 2018.

The directors of the Company considered the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception. An ageing analysis of the Group's trade receivables (net of impairment allowance) as at end of the reporting period, based on the invoices date, is as follows:

	2019 HK\$'000	2018 HK\$'000
0–30 days	140,911	188,698
31–60 days	95,112	80,484
61–90 days	45,098	69,659
Over 90 days	25,601	22,021
	306,722	360,862

The Group does not hold any collateral or other credit enhancements over the trade receivables.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 44.1(b).

Notes to the Financial Statements

For the year ended 31 December 2019

22. DEPOSITS PAID FOR PROPERTY, PLANT AND EQUIPMENT/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Non-current assets:		
Deposit paid for property, plant and equipment	13,811	23,904
Current assets:		
Trade deposits paid to suppliers (<i>note (a)</i>)	17,895	56,193
Other deposits	2,332	2,344
Prepayments	18,225	14,667
Other receivables (<i>note (b)</i>)	10,657	6,210
	49,109	79,414

Notes:

- (a) The Group's trade deposits represented the purchase deposits paid to various independent third parties for supply of trading goods.
- (b) Other receivables mainly represent receivables arising from recharge from customers and suppliers relating to certain mould costs, freight and transportation charges and packing costs and were unsecured, interest-free and repayable on demand.

The directors of the Company considered the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Further details on the Group's credit policy and credit risk arising from other deposits and other receivables are set out in note 44.1(b).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK\$'000	2018 HK\$'000
Listed equity securities in Hong Kong, at fair value (<i>note (a)</i>)	30,649	29,378
Unlisted bond in Hong Kong, at fair value (<i>note (b)</i>)	7,617	7,570
Unlisted secured promissory note in US, at fair value (<i>note (c)</i>)	14,370	16,105
Derivative financial instruments at fair value (<i>note (d)</i>)	489	–
	53,125	53,053

Notes:

- a) The fair values of the Group's investment in listed equity securities have been determined by reference to their quoted market prices at the end of the reporting period.
- b) The fair values of the Group's unlisted bonds is determined based on the quoted prices from relevant financial institutions at the end of reporting period. As at 31 December 2019, the unlisted bond amounted to HK\$7,617,000 (2018: HK\$7,570,000) was pledged to a bank to secure the general banking facilities granted to the Group (note 46).
- c) As at 31 December 2019, there was one (2018: one) secured promissory note (the "Note") with gross principal amount of US\$2,000,000 equivalent to approximately HK\$15,560,000 (2018: US\$2,000,000 equivalent to approximately HK\$15,560,000) due from an independent third party (the "Issuer"). The loan under the Note is interest-bearing at rate of 4% per annum or 10% per annum under an event of default. The principal of the loan was originally repayable on 15 June 2019 (the "First Maturity Date"), being twenty-four months from the issue date and the maturity date was extended to 7 January 2020 by entering a supplementary agreement in June 2019 (the "Second Maturity Date"). Pursuant to the terms of the Note, the Group has the right to convert the outstanding loan amount and accrued interest to 51% of all shares outstanding post-conversion of the Issuer in the Group's sole discretion. The conversion right is exercisable at any time after one year of the issue date of the Note and prior to the First Maturity Date and Second Maturity Date of the Note. The outstanding principal and the interest receivable from the Note was secured by all the assets of the Issuer.

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23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes: (Continued)

c) (Continued)

As at 31 December 2019, the fair value of the Note was estimated to be approximately HK\$14,370,000 (2018: approximately HK\$16,105,000). The fair value loss of approximately HK\$1,735,000 (2018: fair value gain of approximately HK\$79,000) was recognised in consolidated statement of comprehensive income in other income and gains, net for the year ended 31 December 2019. As the repayment date of the Note is within twelve months from the end of the reporting period, the financial assets at fair value through profit or loss were classified under current assets.

The fair value of the Note as at 31 December 2019 is determined by the directors with reference to the valuation prepared by Royson Valuation Advisory Limited, an independent valuer, by using binominal model and income approach with the following key parameters:

	2019	2018
Fair value of shares	US\$815,000	US\$940,000
Revenue growth rate	Ranged from 30% to 190%	Ranged from 66% to 218%
Terminal growth rate	3%	2%
Post-tax discount rate	24.5%	10.2%
Discount for lack of marketability	35%	27%
Risk free interest rate	1.44%	2.45%
Time to maturity	0.02 year	0.5 year
Expected volatility	21%	43%
Expected dividend yield	0%	0%
Conversion period	Commences one year after the purchase date until maturity	Commences one year after the purchase date until maturity

- d) As at 31 December 2019, the Group's derivative financial instruments represented foreign currency forward contracts denominated in USD and the fair values are based on the quoted prices from the relevant financial instruments. The notional amounts of these forward contracts are RMB55,000,000 and the forward currency rates of all these contracts ranged from USD1:RMB7.0245 to USD1:RMB7.0735 with various maturity dates from January 2020 to November 2020.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK\$'000	2018 HK\$'000
Unlisted equity securities in Hong Kong, at fair value (note)	2,570	3,450

Note:

As at 31 December 2019, the fair value of the Group's investment of 11.5% of equity interest in a private entity incorporated in Hong Kong is estimated by the directors with reference to the valuation prepared by Royson Valuation Advisory Limited, an independent valuer, with income approach by discounting future cash flows with the following key parameters:

	2019	2018
Revenue growth rate within the 5-years period	Ranged from 5% to 85%	Ranged from 5% to 141%
Terminal growth rate	3%	3%
Post-tax discount rate	21%	20.5%
Discount for lack of control	10%	10%
Discount for lack of marketability	35%	35%

25. PLEDGED BANK DEPOSITS

	2019 HK\$'000	2018 HK\$'000
Pledged bank deposits, denominated in – HK\$ and US dollars ("US\$")	22,169	22,083

Pledged bank deposits have been pledged to certain banks as securities for general banking facilities granted to the Group (note 46).

Pledged bank deposits are deposited with creditworthy banks and carry fixed interest rates which ranged from 0.3% to 1.8% (2018: ranged from 0.05% to 2.00%) per annum. The directors of the Company considered that the fair value of the pledged bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

26. CASH AND BANK BALANCES

	2019 HK\$'000	2018 HK\$'000
Cash and bank balances	471,536	421,415

As at 31 December 2019, the Group has cash and bank balances denominated in Renminbi ("RMB") amounted to approximately HK\$66,132,000 (2018: HK\$39,360,000), which are deposited with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates.

The bank balances are deposited with creditworthy banks. The directors of the Company considered that the fair values of the cash and bank balances are not materially different from their carrying amount because of the short maturity period on their inception.

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27. TRADE AND BILLS PAYABLES

Trade payables normally have a credit period of 0 to 90 days from the invoice date.

	2019 HK\$'000	2018 HK\$'000
Trade payables	120,866	118,212
Bills payables (<i>note</i>)	668	2,542
	121,534	120,754

Note: At 31 December 2019, bills payables of HK\$668,000 (2018: HK\$2,542,000) were secured by the pledge of the Group's leasehold land and buildings, pledged bank deposits and the corporate guarantee provided by the Company (*note* 46).

An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoices date, is as follows:

	2019 HK\$'000	2018 HK\$'000
0–90 days	112,682	112,602
91–180 days	4,196	6,997
181–365 days	3,113	600
Over 365 days	1,543	555
	121,534	120,754

The directors of the Company considered the carrying amounts of trade and bills payables approximate to their fair values.

28. OTHER PAYABLES AND ACCRUALS

	2019 HK\$'000	2018 HK\$'000
Accruals (<i>note (a)</i>)	13,194	21,063
Refund liabilities (<i>note (b)</i>)	44,027	37,800
Other payables (<i>note (c)</i>)	15,595	30
	72,816	58,893

Notes:

- (a) Accruals mainly represented provision for discretionary bonus.
- (b) Refund liabilities represented the provision for sales rebates.
- (c) During the year, the Group was informed by Contigo USA, one of the Group's customers, that they actively initiated an alert (the "Recall Alert") on 27 August 2019, through the United States Consumer Product Safety Commission, recalling approximately 5.7 million units of a product supplied by the Group, namely "Contigo Kids Cleanable Water Bottles" (the "Affected Products"). According to the Recall Alert, the Affected Products involved only for models with black spout base and cover, and it is believed that the Affected Products may pose safety concerns to children as its clear silicone spout can detach. Consumers are advised to contact Contigo USA for inspection instructions and a free replacement lid.

In December 2019, the Group reached an agreement (the "Agreement") with Ignite USA, LLC ("Ignite"), trading under the name of Contigo USA, on a without admission of liability basis for both parties, to assist on the issues and to release each other from claims and liabilities with respect to the recall of the Affected Products. Under the terms of the Agreement, the Group will grant Ignite a one-time sales credit (the "Sales Credit") in the amount of US\$2 million (equivalent to approximately HK\$15,560,000) for applying towards orders placed by or on behalf of Ignite from 1 January 2020 but Ignite shall not be entitled to require payment in respect of any unused portion of the Sales Credit. The amount of HK\$15,560,000 was recognised as other payables as at 31 December 2019 and a reduction of revenue for the year ended 31 December 2019.

For details, please refer to the Company's announcements dated 30 August 2019 and 20 December 2019.

The directors of the Company considered the carrying amounts of other payables and accruals approximate to their fair values.

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29. CONTRACT LIABILITIES

	2019 HK\$'000	2018 HK\$'000
<i>Contract liabilities arising from:</i>		
Sale of goods	10,476	7,562

For sales of kitchenware and household products, the deposits received by the Group on products remains as contract liabilities until such time as the production completed to date outweighs the amount received.

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$10,476,000 (2018: HK\$7,562,000). This amount represents revenue expected to be recognised in the future. The Group will recognise the expected revenue when the performance obligation is completed, which is expected to occur within one year.

Movement of the contract liabilities is as follows:

	2019 HK\$'000	2018 HK\$'000
Balance as at 1 January	7,562	1,696
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning of the year	(7,562)	(1,696)
Increase in contract liabilities as a result of billing in advance of revenue recognition	10,476	7,562
Balance at 31 December	10,476	7,562

30. BANK OVERDRAFTS

	2019 HK\$'000	2018 HK\$'000
Bank overdrafts	47,788	35,453

The interest rates of the bank overdrafts ranged mainly from 1.6% to 5.0% (2018: 3.5% to 4.5%) per annum. At 31 December 2019, bank overdrafts were secured by the pledge of leasehold land and buildings, pledged bank deposits and the corporate guarantee provided by the Company (note 46).

31. BANK BORROWINGS

	2019 HK\$'000	2018 HK\$'000
Bank revolving loans (<i>notes (i) to (iii)</i>)	—	63,000
Asset-backed financing (<i>note (iv)</i>)	—	82,233
	—	145,233

Notes:

- (i) As at 31 December 2018, all of the revolving loans are repayable on demand (with demand clause) or within one year.
- (ii) The revolving loans as at 31 December 2018 were secured/guaranteed by the followings:
- pledge of unlisted bonds of HK\$7,570,000 (note 23);
 - pledged bank deposits of HK\$22,083,000 (note 25); and
 - unlimited corporate guarantee provided by the Company.
- (iii) The effective interest rates, from date of commencement of interests became chargeable, on the Group's bank loans ranged from 1.3% to 3.1% per annum as at 31 December 2018.
- (iv) At 31 December 2018, the asset-backed financing represents proceeds obtained from discounting arrangements which did not meet the de-recognition requirements under HKFRS 9. The corresponding financial assets were included in trade receivables (note 21).

At 31 December 2018, total bank borrowings of HK\$145,233,000 were scheduled to repay on demand or within one year.

All of the banking facilities were subject to the fulfillment of covenants relating to certain of the Group's financial position ratios, as were commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's loan agreements contained clauses which gave the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group had complied with the covenants and met the scheduled repayment obligations.

Further details of the Group's management of liquidity risk are set out in note 44.1(e). As at 31 December 2018, none of the covenants relating to drawn down facilities had been breached.

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32. LEASE LIABILITIES

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The present value of future lease payments of the Group's leases are analysed as:

	2019 HK\$'000
Current	4,642
Non-current	5,114
	9,756

Movement of the Group's leases liabilities is analysed as follows:

	HK\$'000
As at 31 December 2018 (as previously stated)	–
Initial adoption of HKFRS 16 (note 2(a))	8,420
As at 1 January 2019 (restated)	8,420
Additions	5,398
Interest expenses	339
Lease payments	(4,354)
Exchange realignment	(47)
As at 31 December 2019	9,756

32. LEASE LIABILITIES (Continued)

The future lease payments of the Group's leases (excluding short-term leases) were scheduled to repay as follows:

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
As at 31 December 2019			
Not later than one year	4,962	(320)	4,642
Later than one year but not later than five years	5,282	(168)	5,114
	10,244	(488)	9,756
As at 1 January 2019			
Not later than one year	3,401	(255)	3,146
Later than one year but not later than five years	5,446	(172)	5,274
	8,847	(427)	8,420

33. LOANS FROM NON-CONTROLLING INTERESTS

As at 31 December 2018, loans from non-controlling interests of approximately RMB9,800,000 (equivalent to approximately HK\$11,167,000) and HK\$1,920,000 are unsecured, interest-free and repayable on 31 December 2019 and 31 May 2019 respectively.

During the year ended 31 December 2019, certain part of the loans from non-controlling interests was partially repaid and the remaining portions have been renewed.

As at 31 December 2019, loans from non-controlling interests of approximately RMB7,800,000 (equivalent to approximately HK\$8,726,000) and HK\$1,920,000 are unsecured, interest-free and repayable on 31 December 2020 and 31 May 2020 respectively.

The directors of the Company considered the carrying amounts of loans from non-controlling interests approximately to their fair values.

34. AMOUNT DUE TO AN ASSOCIATE

The amount due is unsecured, interest-free and repayable on demand.

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35. DEFERRED TAX

Details of the deferred tax assets and liabilities recognised and movements are as follows:

	Accelerated tax depreciation HK\$'000	Lease liabilities HK\$'000	Fair value adjustment on intangible asset upon business combination HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2018	(5,082)	–	(793)	46	(5,829)
Charged/(Credited) to profit or loss (note 12)	150	–	793	(44)	899
At 31 December 2018, as previously stated	(4,932)	–	–	2	(4,930)
Adoption of HKFRS 16 (note 2)	–	13	–	–	13
At 1 January 2019 (restated)	(4,932)	13	–	2	(4,917)
Charged to profit or loss (note 12)	502	67	–	5	574
At 31 December 2019	(4,430)	80	–	7	(4,343)

The amounts recognised in the consolidated statement of financial position are as follows:

	2019 HK\$'000	2018 HK\$'000
Deferred tax assets	69	6
Deferred tax liabilities	(4,412)	(4,936)

Deferred tax assets of HK\$7,000 (2018: HK\$2,000) was recognised in respect of unused tax losses of HK\$45,000 (2018: HK\$16,000) as it is considered probable that taxable profits will be available against which the tax losses can be utilised. The other estimated unused tax losses carried forward not recognised in the consolidated financial statements are as follows:

	2019 HK\$'000	2018 HK\$'000
Estimated unused tax losses	13,573	14,261

35. DEFERRED TAX *(Continued)*

Deferred tax assets have not been recognised in respect of these losses as they were arose in group companies that have been loss-making for some time and it is uncertain whether future taxable profits will be available for utilising the tax losses. All the unrecognised tax losses are arising in Hong Kong which can be carried forward indefinitely.

Deferred tax liabilities have not been established for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries in the PRC made after 1 January 2008 because the Company controls the dividend policy of these subsidiaries and it is not probable that the temporary differences will reverse in the foreseeable future. Such unremitted earnings amounted to approximately HK\$41,312,000 as at 31 December 2019 (2018: HK\$21,988,000).

36. SHARE CAPITAL

	2019		2018	
	Number of shares ('000)	HK\$'000	Number of shares ('000)	HK\$'000
Authorised:				
Shares of HK\$0.01 each				
At 1 January and 31 December	10,000,000	100,000	10,000,000	100,000
Issued and fully paid:				
Shares of HK\$0.01 each				
At 1 January and 31 December	700,000	7,000	700,000	7,000

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37. RESERVES

Group

Details of the movements on the Group's reserves for the years ended 31 December 2019 and 2018 are presented in the consolidated statement of changes in equity on page 45.

Merger reserve

The merger reserve of the Group arose as a result of a group reorganisation completed in December 2014 and represented the difference between the consideration under the reorganisation and the nominal value of the share capital of the subsidiaries then acquired.

Statutory reserve

The statutory reserve represents amounts appropriated from the profits after tax of a subsidiary of the Company established in the PRC to comply with the PRC laws and regulations.

Company

	Share premium* HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2018	467,891	3,489	471,380
2017 final dividend (<i>note 14</i>)	–	(49,000)	(49,000)
2018 interim dividend (<i>note 14</i>)	–	(38,500)	(38,500)
2018 special dividend (<i>note 14</i>)	–	(10,500)	(10,500)
Transactions with owners	–	(98,000)	(98,000)
Total comprehensive income for the year	–	98,374	98,374
At 31 December 2018 and 1 January 2019	467,891	3,863	471,754
2018 final dividend (<i>note 14</i>)	–	(42,000)	(42,000)
2019 interim dividend (<i>note 14</i>)	–	(38,500)	(38,500)
2019 special dividend (<i>note 14</i>)	–	(10,500)	(10,500)
Transactions with owners	–	(91,000)	(91,000)
Total comprehensive income for the year	–	91,559	91,559
At 31 December 2019	467,891	4,422	472,313

* The share premium account of the Company arises on shares issued at premium. Under the Companies Law of the Cayman Islands, the share premium account is distributable to owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

38. COMMITMENTS**(a) Operating lease commitments**

At 31 December 2018, the Group's total future minimum rental payable under non-cancellable operating lease in respect of land and buildings and plant and machineries were as follows:

	2018 HK\$'000
Land and buildings	
Within one year	5,869
In the second to fifth years	6,903
	12,772
Plant and machineries	
Within one year	71
In the second to fifth years	30
	101
Total	
Within one year	5,940
In the second to fifth years	6,933
	12,873

As at 31 December 2018, the leases ran for an initial period of one year to five years.

None of these lease arrangements included contingent rentals.

(b) Capital commitments

	2019 HK\$'000	2018 HK\$'000
Capital expenditures contracted but not provided for in the consolidated financial statements in respect of:		
– Purchase of and addition to property, plant and equipment	27,502	42,104

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39. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group also had the following significant transactions with related parties during the year:

39.1 Significant transactions with related parties

Nature of transaction	Name of related company/party	Notes	2019	2018
			HK\$'000	HK\$'000
Licensing fee	Ignite HK	(a)	10,351	12,178
Lease payments/rental expenses	Mr. Wong	(b)	840	840

Notes:

- (a) An associate of the Group.
- (b) During the years ended 31 December 2019 and 2018, the Group had paid lease payments/rental expenses relating to premises which are owned by Mr. Wong. The associated lease liabilities of HK\$1,629,000 (2018: Nil) were recognised in the consolidated statement of financial position as at 31 December 2019.
- (c) All transactions as shown above were made on the Group's normal course of business and were made with reference to the terms negotiated between the relevant parties.

39.2 Outstanding balances with related parties

Details of the Group's balances with the related parties have been set out in notes 18, 33 and 34 to the financial statements.

39.3 Compensation of key management personnel

The directors are of the opinion that the key management personnel were all directors of the Company, details of whose emoluments are set out in note 11.1.

40. CONTINGENT LIABILITIES

At the end of the reporting period, the Group does not have any significant contingent liabilities.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK\$'000	2018 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		252,506	252,506
Current assets			
Prepayments		60	243
Amounts due from subsidiaries		61,348	72,253
Cash and bank balances		165,441	153,786
		226,849	226,282
Current liabilities			
Other payables and accruals		42	34
Net current assets		226,807	226,248
Net assets		479,313	478,754
EQUITY			
Share capital	36	7,000	7,000
Reserves	37	472,313	471,754
Total equity		479,313	478,754

Approved and authorised for issue by the board of directors on 23 March 2020 and signed on its behalf by:

Wong Siu Wah
Director

Wong Fook Chi
Director

Notes to the Financial Statements

For the year ended 31 December 2019

42. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2019 and 31 December 2018 are as follows:

Company name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital		Effective interest held by the Company				Principal activity and place of operation
		2019	2018	2019 Directly	2019 Indirectly	2018 Directly	2018 Indirectly	
Lion Power Development Limited	Incorporated in the BVI, limited liability company	US\$1,000	US\$1,000	100%	-	100%	-	Investment holding, Hong Kong
Wealth Wise Investments Limited	Incorporated in the BVI, limited liability company	US\$1,000	US\$1,000	100%	-	100%	-	Investment holding, Hong Kong
King's Flair Development Limited	Incorporated in Hong Kong, limited liability company	HK\$1,000,000	HK\$1,000,000	-	100%	-	100%	Trading of kitchenware products, Hong Kong
Aegis Global Resources (HK) Limited	Incorporated in Hong Kong, limited liability company	HK\$10,000	HK\$10,000	-	100%	-	100%	Trading of kitchenware products, Hong Kong
Homespan (HK) Limited	Incorporated in Hong Kong, limited liability company	HK\$10,000	HK\$10,000	-	51%	-	51%	Trading of kitchenware products, Hong Kong
Manweal Development Limited	Incorporated in Hong Kong, limited liability company	HK\$5,500,000	HK\$5,500,000	-	68%	-	68%	Trading of kitchenware products, Hong Kong
Ningbo Homesbrands International Trading Company Limited* (寧波家之良品國際貿易有限公司)	Incorporated in the PRC, sino-foreign equity joint venture	RMB10,000,000	RMB10,000,000	-	51%	-	51%	Retail, wholesale and distribution of kitchenware products, the PRC
Youxiang (Shanghai) Commercial & Trade Company Limited* (悠享(上海)商貿有限公司)	Incorporated in the PRC, wholly-owned foreign enterprise	RMB1,000,000	RMB1,000,000	-	51%	-	51%	Retail, wholesale and distribution of kitchenware products, the PRC
Wonder Household Limited	Incorporated in Hong Kong, limited liability company	HK\$10,000	HK\$10,000	-	100%	-	100%	Trading of kitchenware products, Hong Kong
Gloxis Development Limited	Incorporated in Hong Kong, limited liability company	HK\$100,000	HK\$100,000	-	100%	-	100%	Trading of kitchenware products, Hong Kong
King's Flair Resources Limited	Incorporated in Hong Kong, limited liability company	HK\$1	HK\$1	-	100%	-	100%	Trading of raw materials, Hong Kong
Nanoshields Technology Limited	Incorporated in Hong Kong, limited liability company	HK\$1	HK\$1	-	100%	-	100%	Trading and manufacturing of nano-tech related materials and products

* The English name of the subsidiaries established in the PRC represents management's best effort at translating the Chinese name of such subsidiaries for identification purpose only as no English name has been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at any time during the year and at the end of the year.

43. NON-CONTROLLING INTERESTS

Ningbo Homesbrands International Trading Company Limited ("HBI") and Youxiang (Shanghai) Commercial & Trade Company Limited ("Youxiang"), 51% owned subsidiaries of the Company, have material non-controlling interests (the "NCI"). Except the above mentioned, the NCI of all other subsidiaries of the Group that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of HBI before intra-group eliminations, is presented below:

	2019 HK\$'000	2018 HK\$'000
For the year ended 31 December		
Revenue	119,068	90,199
Profit for the year	20,510	11,452
Total comprehensive income	19,668	11,452
Profit allocated to NCI	10,050	5,612
Cash flows generated from operating activities	18,256	5,078
Cash flows used in investing activities	(1,187)	(648)
Cash flows used in financing activities	(2,268)	(7,219)
Net cash inflow/(outflow)	14,801	(2,789)

	2019 HK\$'000	2018 HK\$'000
As at 31 December		
Current assets	97,735	64,535
Non-current assets	2,709	1,781
Current liabilities	(49,486)	(35,027)
Net assets	50,958	31,289
Accumulated non-controlling interests	24,969	15,332

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43. NON-CONTROLLING INTERESTS *(Continued)*

Summarised financial information in relation to the NCI of Youxiang before intra-group eliminations, is presented below:

	2019 HK\$'000	2018 HK\$'000
For the year ended 31 December		
Revenue	43,417	72,105
Profit for the year	3,618	16,650
Total comprehensive income	3,463	16,650
Profit allocated to NCI	1,773	8,159
Cash flows generated from operating activities	6,651	14,020
Cash flows used in investing activities	–	(747)
Net cash inflow	6,651	13,273
As at 31 December		
Current assets	44,250	33,412
Non-current assets	583	755
Current liabilities	(35,470)	(28,267)
Net assets	9,363	5,900
Accumulated non-controlling interests	4,588	2,891

44. FINANCIAL RISK MANAGEMENT

44.1 Financial risk factors

The Group is exposed to a variety of financial risks in the normal course of business. The directors meet periodically to analyse and formulate strategies to manage the Group's exposure to market risks, (specifically to foreign currency risk, interest rate risk, price risk and fair value risk), credit risk and liquidity risk. Generally, the Group utilises conservative strategies on its risk management.

The most significant financial risks to which the Group is exposed are described below. A summary of the Group's financial assets and liabilities by category is shown in note 44.2.

(a) Foreign currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group mainly operates and invests in Hong Kong and the PRC with most of the transactions denominated and settled in HK\$, US\$ and RMB respectively. For subsidiaries in PRC, no foreign currency risk has been identified for the financial assets and financial liabilities denominated in RMB, being the functional currency of the subsidiaries in the PRC to which these transactions relate. As US\$ is pegged to HK\$, the Group does not expect any significant movement in the HK\$/US\$ exchange rate. For the Group's operations in Hong Kong, no sensitivity analysis in respect of the Group's sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US\$ is disclosed as in the opinion of directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US\$/HK\$ exchange rates as at the reporting dates.

Foreign currency risk arises from the Group's financial assets and liabilities, which were denominated in RMB other than the functional currency of the members of the Group at the end of each reporting period are as follows:

	2019 HK\$'000	2018 HK\$'000
Trade receivables	128	7,012
Other deposits and other receivables	14,376	25,134
Cash and bank balances	10,944	39,360
Trade and bills payables	(31,542)	(49,450)
Other payables and accruals	(109)	(3,751)
Overall net exposure	(6,203)	18,305

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44. FINANCIAL RISK MANAGEMENT (Continued)

44.1 Financial risk factors (Continued)

(a) Foreign currency risk (Continued)

The following table indicates the approximate effect on the profit for the year in response to reasonably possible changes in the foreign exchange rates, with all other variables held constant, to which the Group has significant exposure at the end of each reporting period. The appreciation and depreciation of 5% (2018: 5%) in HK\$ exchange rate against RMB represents management's assessment of a reasonably possible change in currency exchange rate over the reporting periods.

	Increase/(decrease) in profit for the year	
	2019 HK\$'000	2018 HK\$'000
RMB to HK\$		
Appreciation by 5% (2018: 5%)	(259)	764
Depreciation by 5% (2018: 5%)	259	(764)

Other than the above, the Group held several foreign currency forward contracts denominated in USD which were recognised as derivative financial instruments (note 23(d)) as at 31 December 2019. Upon the maturity dates, these contracts will be settled in RMB. Accordingly, the fair value and the future cash flow will fluctuate because of the change in the foreign currencies of USD and RMB.

The following table indicates the approximate effect on the profit for the year in response to reasonably possible changes in the foreign exchange rates, with all other variables held constant, to which the Group has exposure in respect of the derivative financial instruments at the end of each reporting period. The appreciation and depreciation of 5% (2018: 5%) in USD exchange rate against RMB represents management's assessment of a reasonably possible change in currency exchange rate over the reporting periods.

	Increase/(decrease) in profit for the year	
	2019 HK\$'000	2018 HK\$'000
Appreciation by 5% (2018: 5%)	(2,513)	–
Depreciation by 5% (2018: 5%)	2,513	–

The measures to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

44. FINANCIAL RISK MANAGEMENT *(Continued)*

44.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. Most of the Group's bank balances are held in major reputable financial institutions in Hong Kong, the PRC and Taiwan, which management believes are of high credit quality.

The Group has policies in place to ensure that service rendered and sales of goods are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. Generally customers are granted credit terms ranging from 0 to 90 days. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

The Group has concentration of credit risk with respect to trade receivables. As at 31 December 2019, the Group's trade receivables due from 2 (2018: 2) customers, of approximately HK\$208,872,000 (2018: HK\$265,387,000) represented 68% (2018: 74%) of trade receivables.

These customers are in good settlement records and reputation. The management believes that the credit risk on the amount due is minimal.

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

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44. FINANCIAL RISK MANAGEMENT (Continued)

44.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables:

As at 31 December 2019	Expected loss rate (%)	Gross carrying amount (HK\$'000)	Loss allowance (HK\$'000)	Net carrying amount (HK\$'000)
<i>Collective assessment</i>				
Current	0.01%	197,884	(29)	197,855
Past due 60 days or less	0.02%	85,431	(13)	85,418
Past due more than 60 days but less than 1 year	0.73%	16,364	(120)	16,244
Past due more than 1 year but less than 2 years	8.24%	2,622	(216)	2,406
Past due over 2 years	100%	64	(64)	-
Individual assessed for specific debtor	16.31%	5,734	(935)	4,799
		308,099	(1,377)	306,722

44. FINANCIAL RISK MANAGEMENT (Continued)**44.1 Financial risk factors** (Continued)**(b) Credit risk** (Continued)

As at 31 December 2018	Expected loss rate (%)	Gross carrying amount (HK\$'000)	Loss allowance (HK\$'000)	Net carrying amount (HK\$'000)
Current	0.00%	246,733	–	246,733
Past due 60 days or less	0.02%	95,639	(16)	95,623
Past due more than 60 days but less than 1 year	0.34%	16,224	(55)	16,169
Past due more than 1 year but less than 2 years	7.31%	2,521	(184)	2,337
Credit impaired for specific debtor	100%	115	(115)	–
		361,232	(370)	360,862

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

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 HK\$'000	2018 HK\$'000
Balance at 1 January	370	83
Impairment losses recognised during the year	1,122	287
Written off	(115)	–
Balance at 31 December	1,377	370

Other financial assets at amortised cost of the Group includes other deposits and other receivables, amounts due from associates, pledged bank deposits and cash and bank balances. Since there is no increase in credit risk, the loss allowance recognised during the year was therefore limited to 12-months ECL. Management considers the probability of default is low on other receivables since the counterparties are in good credit quality and no historical default noted. Besides, management considers the probability of default is low on pledged bank deposits and bank balances since they are placed at the financial institutions with good credit rating. The Group concluded that impact of ECL on other financial assets is insignificant as at 31 December 2019.

The measures to manage credit risk are considered to be effective.

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44. FINANCIAL RISK MANAGEMENT *(Continued)*

44.1 Financial risk factors *(Continued)*

(c) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate, and fixed interest rate instruments will result in the Group fair value interest rate risk.

Other than pledged bank deposits (note 25), cash and bank balances (note 26), bills payables (note 27), bank overdrafts (note 30) and bank borrowings (note 31), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating rate borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk.

At 31 December 2019, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit for the year (through the impact on the Group's cash and bank balances, bank overdrafts, bank borrowings and bills payables which are subject to floating interest rate) by approximately HK\$1,966,000 (2018: HK\$1,601,000). No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as presented above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The measures to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

44. FINANCIAL RISK MANAGEMENT (Continued)**44.1 Financial risk factors** (Continued)**(d) Price risk**

The Group is exposed to price risk through its investments in equity/debt instruments which are classified as financial assets at fair value through profit or loss and at fair value through other comprehensive income. The directors manage this exposure by maintaining a portfolio of investments with different risk and return profiles and followed by the Group since prior years and are considered to be effective.

Sensitivity analysis

The following table demonstrates the sensitivity as if the quoted prices of the investments had increased/(decreased) by 10% with all other variables held constant, after any impact of tax for each reporting date.

	Effect on percentage change: Increase/(decrease) by 10% in price	
	Carrying amount HK\$'000	Increase/ (decrease) in profit for the year HK\$'000
At 31 December 2019		
Financial assets at fair value through profit or loss		
– Listed equity securities, at fair value	30,649	2,559/(2,559)
– Unlisted bond, at fair value	7,617	636/(636)
At 31 December 2018		
Financial assets at fair value through profit or loss		
– Listed equity securities, at fair value	29,378	2,453/(2,453)
– Unlisted bond, at fair value	7,570	632/(632)

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44. FINANCIAL RISK MANAGEMENT (Continued)

44.1 Financial risk factors (Continued)

(e) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings, also regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. In addition, banking facilities have been put in place for contingency purposes.

The Group's liquidity position is monitored on a daily basis by the management.

The following table summarises the remaining contractual maturities at the reporting dates of the Group's financial liabilities, which are based on contractual undiscounted payments.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay (That is if the lenders were to invoke their unconditional rights to call the loans with immediate effect).

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000
At 31 December 2019				
Trade and bills payables	121,534	121,534	121,534	–
Other payables and accruals	72,816	72,816	72,816	–
Lease liabilities	9,756	10,244	4,962	5,282
Bank overdrafts	47,788	47,788	47,788	–
Loans from non-controlling interests	10,646	10,646	10,646	–
Amount due to an associate	8,239	8,239	8,239	–
	270,779	271,267	265,985	5,282
At 31 December 2018				
Trade and bills payables	120,754	120,754	120,754	–
Other payables and accruals	58,893	58,893	58,893	–
Bank borrowings	145,233	145,233	145,233	–
Bank overdrafts	35,453	35,453	35,453	–
Loans from non-controlling interests	13,087	13,087	13,087	–
Amount due to an associate	1,980	1,980	1,980	–
	375,400	375,400	375,400	–

44. FINANCIAL RISK MANAGEMENT (Continued)**44.1 Financial risk factors** (Continued)**(f) Fair value risk**

The fair values of the financial assets and liabilities are not materially different from their carrying amounts because of the immediate or the short term maturity of those financial instruments. The following table presents assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these assets. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets;

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

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

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value as at 31 December 2019 and 31 December 2018 in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000 (note (a))	Level 2 HK\$'000 (note (b))	Level 3 HK\$'000 (note (c))	Total HK\$'000
At 31 December 2019				
Financial assets at fair value through profit or loss				
– Listed equity securities, at fair value	30,649	–	–	30,649
– Unlisted bond, at fair value	–	7,617	–	7,617
– Unlisted secured promissory note, at fair value	–	–	14,370	14,370
– Derivative financial instruments	–	489	–	489
Financial assets at fair value through other comprehensive income				
– Unlisted equity securities, at fair value	–	–	2,570	2,570
As at 31 December 2018				
Financial assets at fair value through profit or loss				
– Listed equity securities, at fair value	29,378	–	–	29,378
– Unlisted bond, at fair value	–	7,570	–	7,570
– Unlisted secured promissory note, at fair value	–	–	16,105	16,105
Financial assets at fair value through other comprehensive income				
– Unlisted equity securities, at fair value	–	–	3,450	3,450

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44. FINANCIAL RISK MANAGEMENT (Continued)

44.1 Financial risk factors (Continued)

(f) Fair value risk (Continued)

Notes:

- (a) The investment in listed equity securities at fair values are denominated in HK\$. Fair values have been determined by reference to their quoted market prices at the reporting date.
- (b) The investment in unlisted bond and derivative financial instruments at fair values are denominated in USD and the fair values is determined based on the quoted prices from the relevant financial institution.
- (c) The investment in promissory note and unlisted equity securities at fair value are denominated in USD and HK\$ respectively and their fair values are determined by using valuation technique of binomial model and income approach, which include significant inputs that are not based on observable market data (notes 23(c) and 24).

The movements in fair value measurements in Level 3 during the year are as follows:

	2019 HK\$'000	2018 HK\$'000
Financial assets at fair value through profit or loss		
At beginning of the year	16,105	16,026
Fair value change	(1,735)	79
At end of the year	14,370	16,105
Financial assets at fair value through other comprehensive income		
At beginning of the year	3,450	–
Initial recognition	–	3,450
Fair value change	(880)	–
At end of the year	2,570	3,450

The fair value of the promissory note and unlisted equity securities are Level 3 recurring fair value measurement. During the year ended 31 December 2019, there have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

44. FINANCIAL RISK MANAGEMENT *(Continued)***44.1 Financial risk factors** *(Continued)***(f) Fair value risk** *(Continued)*

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

	Valuation technique	Significant unobservable inputs	Value of input	Relationship of unobservable inputs to fair value
31 December 2019				
Unlisted secured promissory note, at fair value	Binomial model and income approach	Expected volatility	21%	The higher the expected volatility, revenue and terminal growth rate, the higher the fair value
		Revenue growth rate	Ranged from 30% to 190%	
		Terminal growth rate	3%	
		Post-tax discount rate	24.5%	The higher the post-tax discount rate and discount for lack of marketability, the lower the fair value
		Discount for lack of marketability	35%	
Unlisted equity securities, at fair value	Income approach	Revenue growth rate	Ranged from 5% to 85%	The higher the revenue and terminal growth rate, the higher the fair value
		Terminal growth rate	3%	
		Post-tax discount rate	21%	The higher the post-tax discount rate, discount for lack of control and for lack of marketability, the lower the fair value
		Discount for lack of control	10%	
		Discount for lack of marketability	35%	

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For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT *(Continued)*

44.1 Financial risk factors *(Continued)*

(f) Fair value risk *(Continued)*

	Valuation technique	Significant unobservable inputs	Value of input	Relationship of unobservable inputs to fair value
31 December 2018				
Unlisted secured promissory note, at fair value	Binomial model and income approach	Expected volatility	43%	The higher the expected volatility, revenue and terminal growth rate, the higher the fair value
		Revenue growth rate	Ranged from 66% to 218%	
		Terminal growth rate	2%	
		Post-tax discount rate	10.2%	The higher the post-tax discount rate and discount for lack of marketability, the lower the fair value
		Discount for lack of marketability	27%	
Unlisted equity securities, at fair value	Income approach	Revenue growth rate	Ranged from 5% to 141%	The higher the revenue and terminal growth rate, the higher the fair value
		Terminal growth rate	3%	
		Post-tax discount rate	20.5%	The higher the post-tax discount rate, discount for lack of control and for lack of marketability, the lower the fair value
		Discount for lack of control	10%	
		Discount for lack of marketability	35%	

44. FINANCIAL RISK MANAGEMENT (Continued)**44.2 Summary of financial assets and liabilities by category**

The carrying amounts of the Group's financial assets and liabilities as recognised at each reporting dates are also analysed into the following categories. See note 4.12 for explanations about how the category of financial instruments affects their subsequent measurement.

	2019 HK\$'000	2018 HK\$'000
Financial assets		
Financial assets at fair value through profit or loss	53,125	53,053
Financial assets at fair value through other comprehensive income	2,570	3,450
Financial assets at amortised cost		
– Trade receivables	306,722	360,862
– Other deposits and other receivables	12,989	8,554
– Amounts due from associates	548	492
– Pledged bank deposits	22,169	22,083
– Cash and bank balances	471,536	421,415
	869,659	869,909
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and bills payables	121,534	120,754
– Other payables and accruals	72,816	58,893
– Lease liabilities	9,756	–
– Bank overdrafts	47,788	35,453
– Bank borrowings	–	145,233
– Loans from non-controlling interests	10,646	13,087
– Amount due to an associate	8,239	1,980
	270,779	375,400

The fair values of all the financial assets and liabilities measured at amortised cost approximate to their carrying amounts as at the end of the reporting date.

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For the year ended 31 December 2019

45. CAPITAL MANAGEMENT

The Group's capital management objectives are:

- (i) to ensure the Group's ability to continue as a going concern; and
- (ii) to provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher owners' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The directors of the Company also balance its overall capital structure through the payment of dividends or issue new shares as necessary. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

The Group sets the amount of equity in proportion to its overall financing structure. The equity-to-overall financing ratios at the end of the reporting periods were as follows:

	2019 HK\$'000	2018 HK\$'000
Total equity	740,840	694,927
Overall financing		
Bank overdrafts	47,788	35,453
Bank borrowings	–	145,233
Lease liabilities	9,756	–
Loans from non-controlling interests	10,646	13,087
	68,190	193,773
Equity-to-overall financing ratio	10.9:1	3.6:1

46. CREDIT FACILITIES

As at 31 December 2019, the Group has obtained banking facilities, including revolving loans, factoring, bills payables and bank overdrafts, of totalling HK\$195,400,000 (2018: HK\$186,200,000) and US\$16,000,000 (2018: US\$16,000,000), of which HK\$47,788,000 (2018: HK\$100,994,000) and Nil (2018: US\$10,570,000) has been utilised by the Group. As at 31 December 2019, the Group has unutilised banking facilities of approximately HK\$147,612,000 (2018: HK\$85,206,000) and US\$16,000,000 (2018: US\$5,430,000) available for draw down.

As at 31 December 2019, the Group's banking facilities were secured/guaranteed by the followings:

- (a) pledge of leasehold land and building with an aggregate carrying amount of HK\$18,018,000 (2018: HK\$18,804,000) (note 15);
- (b) pledge of unlisted bonds of HK\$7,617,000 (2018: HK\$7,570,000) (note 23);
- (c) pledged bank deposits of HK\$22,169,000 (2018: HK\$22,083,000) (note 25); and
- (d) unlimited corporate guarantee provided by the Company.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings (note 31) HK\$'000	Loan from non-controlling interests (note 33) HK\$'000	Dividend payable (note 14) HK\$'000	Lease Liabilities (note 32) HK\$'000	Total HK\$'000
At 1 January 2018	–	20,983	–	–	20,983
Financing cash inflows/(outflows):					
Proceeds from bank borrowings	185,233	–	–	–	185,233
Repayment of bank borrowings	(40,000)	–	–	–	(40,000)
Repayment of loans from non-controlling interests	–	(7,485)	–	–	(7,485)
Dividend paid	–	–	(98,000)	–	(98,000)
Interest paid	(314)	–	–	–	(314)
Other changes:					
Dividend declared/approved	–	–	98,000	–	98,000
Interest expenses	314	–	–	–	314
Exchange realignment	–	(411)	–	–	(411)
At 31 December 2018 (as previously stated)	145,233	13,087	–	–	158,320
Initial adoption of HKFRS 16 (note 2(a))	–	–	–	8,420	8,420
At 1 January 2019 (restated)	145,233	13,087	–	8,420	166,740
Financing cash inflows/(outflows):					
Proceeds from bank borrowings	40,000	–	–	–	40,000
Repayment of bank borrowings	(185,233)	–	–	–	(185,233)
Repayment of loans from non-controlling interests	–	(2,238)	–	–	(2,238)
Repayment of principal amount of the lease liabilities	–	–	–	(4,354)	(4,354)
Dividend paid	–	–	(91,000)	–	(91,000)
Interest paid	(1,159)	–	–	–	(1,159)
Other changes:					
Additions	–	–	–	5,398	5,398
Dividend declared/approved	–	–	91,000	–	91,000
Interest expenses	1,159	–	–	339	1,498
Exchange realignment	–	(203)	–	(47)	(250)
At 31 December 2019	–	10,646	–	9,756	20,402

48. EVENT AFTER THE REPORTING DATE

The outbreak of the Coronavirus Disease ("COVID-19") since early 2020 has posed a tremendous challenge to the overall global economy and the Group's business operation. Depending on the development of COVID-19 and its impact on the economic conditions, there may be adverse effect on the financial performance of the Group subsequent to the date of these financial statements. The Group will closely monitor the situation and, to the extent applicable, react proactively to minimize the impact of COVID-19 on the financial position and operating results of the Group. The assessment on the impact to the Group's financial performance brought about by the outbreak of COVID-19 is still in progress as at the date of this report.

FINANCIAL SUMMARY

A summary of the published financial results and of the assets, liabilities and non-controlling interests of the Group for the year ended 31 December 2019 and the last four financial years is set out below. The summary does not form part of the audited consolidated financial statements.

	For the year ended 31 December				
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Financial results					
Revenue	1,540,412	1,566,864	1,365,514	1,365,000	1,394,635
Profit before income tax	167,591	157,665	179,015	161,652	194,107
Income tax expense	(29,256)	(25,719)	(27,397)	(27,601)	(32,031)
Profit for the year	138,335	131,946	151,618	134,051	162,076
Profit/(loss) attributable to:					
Owners of the Company	124,945	118,003	143,552	133,844	163,545
Non-controlling interests	13,390	13,943	8,066	207	(1,469)
	138,335	131,946	151,618	134,051	162,076
	As at 31 December				
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Assets and liabilities					
Non-current assets	96,850	75,947	63,238	55,097	63,344
Current assets	949,161	1,012,036	800,170	724,950	659,646
Current liabilities	295,645	388,120	196,096	162,992	141,384
Net current assets	653,516	623,916	604,074	561,958	518,262
Non-current liabilities	9,526	4,936	7,799	18,210	24,873
Net assets	740,840	694,927	659,513	598,845	556,733