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SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS LIMITED

新昌創展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1781)

AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

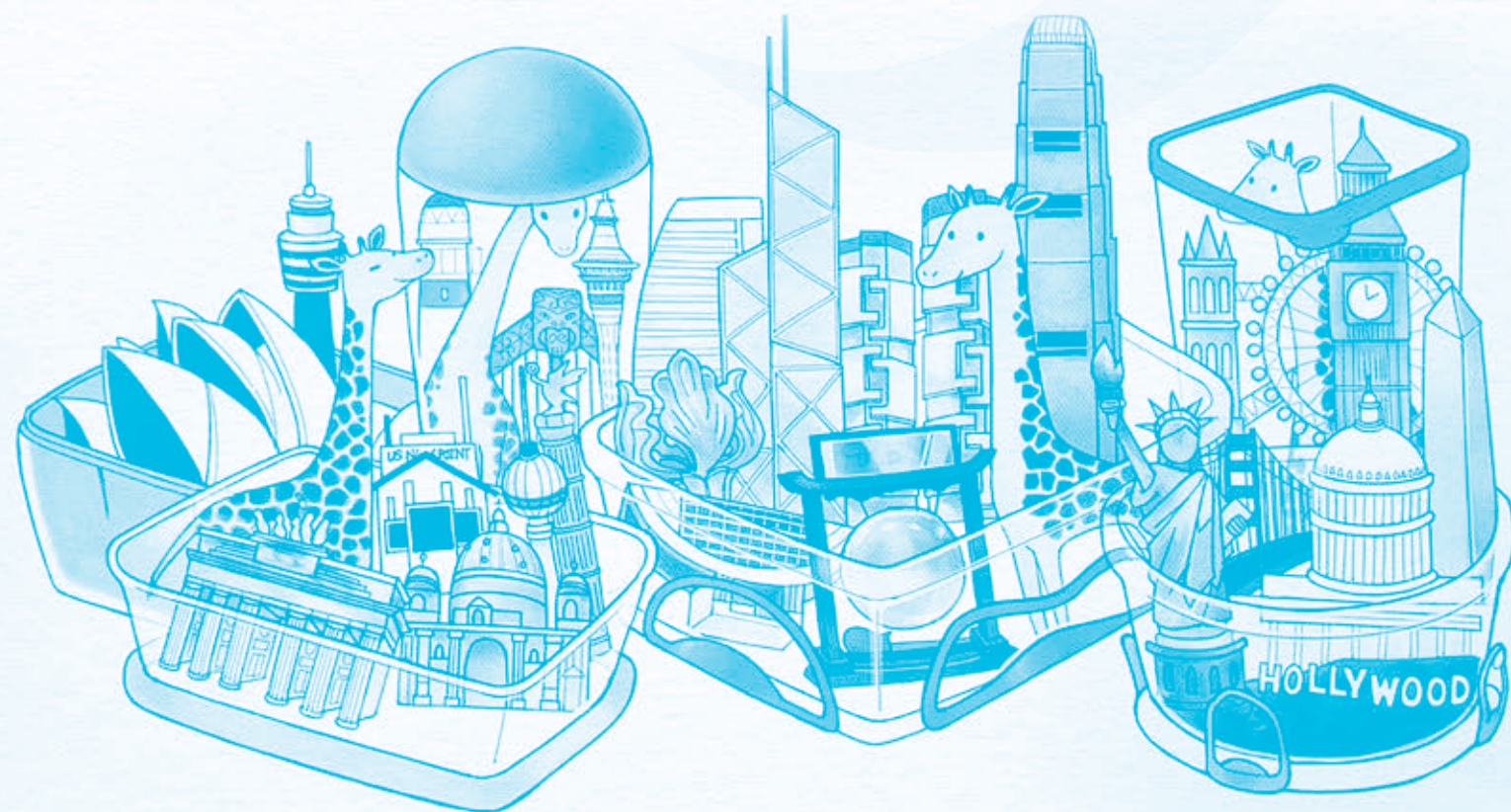
Reference is made to the announcement of Sun Cheong Creative Development Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 18 March 2020 in relation to the unaudited annual results for the year ended 31 December 2019 (the “**Unaudited Results Announcement**”) and the announcement of the Company dated 26 June 2020 in relation to, among others, the delay in publication of the Company’s audited annual results announcement for the year ended 31 December 2019 and despatch of the annual report of the Company for the year ended 31 December 2019.

As at the date of this announcement, the Audit Committee comprises three members, namely Mr. Fung Wai Hang (chairman), Mr. Li Ka Chun and Mr. Sze Chun Wai. They are all independent non-executive Directors. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2019.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that the Company’s auditors, KTC Partners CPA Limited, has completed its audit of the consolidated financial statements of the Group for the year ended 31 December 2019 in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. This announcement, containing the full text of the 2019 annual report of the Company (the “**2019 Annual Report**”).

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Corporate Information

Board of Directors

Executive Directors

Mr. Tong Ying Chiu	(resigned on 6 December 2019)
Ms. Ng Siu Kuen Sylvia	(resigned on 6 December 2019)
Mr. Tong Bak Nam Billy	(resigned on 2 June 2020)
Mr. Chan Kam Hon Ivan	(resigned on 10 June 2020)
Mr. Un Ga Wei	(appointed at 6 December 2019)
	(resigned on 10 June 2020)
Ms. Jiselle Joey Chan	(appointed at 6 December 2019)
	(resigned on 10 June 2020)
Mr. Chan Sai On Bill	(redesignated on 10 June 2020)
Mr. Ng Chun Chung	(redesignated on 10 June 2020)

Non-Executive Directors

Mr. Chan Sai On Bill	(appointed at 21 February 2020)
	(redesignated on 10 June 2020)

Independent Non-Executive Directors

Mr. Yuen Chi Ping	(resigned on 29 August 2019)
Mr. Leung Leslie Yau Chak	(resigned on 6 December 2019)
Mr. Cheung Ting Kin	(resigned on 7 February 2020)
Mr. Ip Hon Wah	(appointed at 21 October 2019)
	(resigned on 6 December 2019)
Ms. Hui Chi Yan Amy	(appointed at 6 December 2019)
	(resigned on 10 June 2020)
Mr. Li Ka Chun	(appointed at 10 June 2020)
Mr. Ng Chun Chung	(appointed at 21 February 2020)
	(redesignated on 10 June 2020)
Mr. Fung Wai Hang	(appointed at 10 June 2020)
Mr. Sze Chun Wai	(appointed at 7 February 2020)

Compliance Adviser

Giraffe Capital Limited	(terminated on 14 February 2020)
Rainbow Capital (HK) Limited	(appointed at 27 February 2020)

Company Secretary

Mr. Chan Kam Hon Ivan	(resigned on 21 June 2019)
Ms. Yeung Ching Man	(appointed at 21 June 2019)

Chief Executive Officer

Mr. Tong Bak Nam Billy	(resigned on 2 June 2020)
Mr. Lau Wing Yui Felix	(appointed at 27 May 2020)

Board Committees

Audit Committee

Mr. Cheung Ting Kin	(resigned on 7 February 2020)
Mr. Yuen Chi Ping	(resigned on 29 August 2019)
Mr. Leung Leslie Yau Chak	(resigned on 6 December 2019)
Mr. Ip Hon Wah	(appointed at 21 October 2019)
	(resigned on 6 December 2019)
Ms. Hui Chi Yan Amy	(appointed at 6 December 2019)
	(resigned on 10 June 2020)
Mr. Sze Chun Wai	(appointed at 7 February 2020)
Mr. Ng Chun Chung	(appointed at 21 February 2020)
	(resigned on 10 June 2020)
Mr. Li Ka Chun	(appointed at 10 June 2020)
Mr. Fung Wai Hang (Chairman)	(appointed at 10 June 2020)

Remuneration Committee

Mr. Leung Leslie Yau Chak	(resigned on 6 December 2019)
Mr. Yuen Chi Ping	(resigned on 29 August 2019)
Mr. Cheung Ting Kin	(resigned on 7 February 2020)
Mr. Chan Kam Hon Ivan	(resigned on 21 June 2019)
Mr. Tong Bak Nam Billy	(appointed at 21 June 2019)
	(resigned on 2 June 2020)
Mr. Ip Hon Wah	(appointed at 21 October 2019)
	(resigned on 6 December 2019)
Mr. Un Ga Wei	(appointed at 6 December 2019)
	(resigned on 10 June 2020)
Mr. Ng Chun Chung (Chairman)	(appointed at 21 February 2020)
Mr. Sze Chun Wai	(appointed at 21 February 2020)
Ms. Hui Chi Yan Amy	(appointed at 21 February 2020)
	(resigned on 10 June 2020)
Mr. Chan Sai On Bill	(appointed at 10 June 2020)

Nomination Committee

Mr. Yuen Chi Pang (resigned on 29 August 2019)
Mr. Cheung Ting Kin (resigned on 7 February 2020)
Mr. Leung Leslie Yau Chak

(resigned on 6 December 2019)
Mr. Tong Bak Nam Billy (resigned on 2 June 2020)
Mr. Ip Hon Wah (appointed at 21 October 2019)
(resigned on 6 December 2019)

Ms. Jiselle Joey Chan (appointed at 6 December 2019)
(resigned on 10 June 2020)

Mr. Sze Chun Wai (*Chairman*)
(appointed at 7 February 2020)

Mr. Ng Chun Chung (appointed at 21 February 2020)
Ms. Hui Chi Yan Amy (appointed at 21 February 2020)
(resigned on 10 June 2020)

Mr. Li Ka Chun (appointed at 10 June 2020)

Risk Management Committee

Mr. Tong Ying Chiu (resigned on 6 December 2019)
Ms. Ng Siu Kuen Sylvia (resigned on 6 December 2019)
Mr. Tong Bak Nam Billy (resigned on 2 June 2020)
Mr. Chan Kam Hon Ivan (resigned on 21 June 2019)
(reappointed at 21 February 2020)

Mr. Leung Leslie Yau Chak
(resigned on 6 December 2019)

Mr. Un Ga Wei (appointed at 6 December 2019)
(resigned on 10 June 2020)

Ms. Jiselle Joey Chan (appointed at 6 December 2019)
(resigned on 10 June 2020)

Ms. Hui Chi Yan Amy (appointed at 6 December 2019)
(resigned on 21 February 2020)

Mr. Ng Chun Chung (appointed at 10 June 2020)

Mr. Chan Sai On Bill (*Chairman*)
(appointed at 10 June 2020)

Mr. Fung Wai Hang (appointed at 10 June 2020)

Authorised Representatives

Mr. Tong Ying Chiu (appointed at 21 June 2019)
(resigned on 6 June 2020)

Mr. Chan Kam Hon Ivan (resigned on 21 June 2019)

Mr. Lau Wing Yui Felix
(*CEO*) (appointed at 27 May 2020)

Headquarter and Principal Place of Business in Hong Kong

28/F, YF Life Tower,
33 Lockhart Road,
Wan Chai
Hong Kong

Registered Office

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

Principal Share Registrar

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

Hong Kong Branch Share Registrar

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

Compliance Adviser

Rainbow Capital (Hong Kong) Limited
Rm 5B, 12/F, Tung Ning Building,
2 Hillier Street,
Sheung Wan
Hong Kong

Legal Advisors as to Hong Kong Law

Loeb & Loeb LLP
21st Floor,
3 Connaught Road
Central
Hong Kong

Corporate Information

Principal Banks

O-Bank
United Oversea Bank Limited
DBS Bank Limited

Auditor

KTC Partners CPA Limited
Certified Public Accountants
RM 617, 6/F
Seapower Tower, Concordia Plaza
1 Science Museum Road, TST East
Hong Kong

Company's Website

<http://www.clip-fresh.com>

Stock Code

1781

Director's Statement

On behalf of the board (the "Board") of directors of the Company (the "Directors," each a "Director"), I am pleased to present the annual results of the Group for the year ended 31 December 2019.

2019 was a very difficult year to the Company, the company has undergone a major operation disruptions due to the relocation of the new production facilities and subsequently led to the other issues. As we have mentioned in the 2018 prospectus, the Company would relocate to a new production plant, however the relocation plan of new factory facility site was awry. The electricity supply in the new production plant was not stable and that very much delayed our promising delivery schedule, which put the company in a very serious cash flow. Even worse, the unstable power supply damaged our machines and tooling and caused the one off expenses had come up to a level which was out of the expectation of the Board. Furthermore, the deteriorating economy made the financial funding becoming more and more strained. With all the factors added up together, it turned the company into a financial breakdown.

To make things worse, Mr. Tong Ying Chiu ("Mr. Tong"), the ex-chairman of the Company and a legal representative of the China factories; and Ms. Ng Siu Kuen ("Mrs. Tong"), an executive director of the Company, who are the guarantors of the bank loans for the company has left the company due to his health condition. While the management of the company tried very best to resolve all the complex and interlocking issues, the departure of Mr. Tong, Mrs. Tong, made things relating to the factory and production extremely hard to comb because Mr. Tong and Mrs. Tong are the major directors of Chase On Development and Mr. Tong is the only legal representative of the factories in China. Given Mr. Tong possessed all the book and records of factories, the new management were hands tied to resolve the petition and litigation against Chase On Development and Xincang plastic. Without any other viable options for the new management, we regret that Chase On Development has to be wound up and the factory has to be sealed off. I, with the new management would like to take this opportunity to express our sincere apology to our shareholders who have given a strong vote of confidence in the Company and its future. With the brand new board of directors and management team, we strongly believed that we can turn around the Company by bringing in new capital and implementing more stringent internal control and a promising business strategy in the future.

Results

The Board has resolved to announce the audited consolidated results for the year ended 31 December 2019. Total revenue for the year amounted to approximately HK\$260.4 million (2018: HK\$341 million), representing a decrease of about 23.6%. The net loss for the year attributable to owners of the Company stood at approximately HK\$297.4 million (2018: profit of HK\$33.8 million). Basic loss per share was approximately HK\$55.08 cents (2018: earning per shares of approximately HK\$7.73 cents).

Dividends

No interim dividends were recognised as distribution by our Company to our then shareholders for the year ended 31 December 2019 (2018: HK\$ NIL million). The Board do not proposed a special dividend for the year ended 31 December 2019 (2018: HK\$30.0 million) and the Board do not proposed a final dividend for the year ended 31 December 2019. (2018: approximately HK\$40.5 million).

Overall Business Environment

2019 was an tumultuous year that the Company experienced difficult business and operational environment where the worldwide economy had been frustrating and full of uncertainties. The China-United States trade war broke out on March 2019, although polypropylene products were not included in the product list subject to tariffs on imports from China, the exaltation of US dollar tended the exchange rate between the US dollar and the Australian dollar attempting to a record low.

Even though the U.S. market only accounts for less than 2% of the group's total revenue, the continued decline of the exchange rate of the Australian dollar against the US dollar has created unprecedented difficulties for Sun Cheong, the consequence of the trade war heavily burdened Sun Cheong's income. Despite the Company failed to repay banks borrowing in 2019, the company is working hard to reach an agreement with creditors. Operations of the Company have also inevitably been affected by the slowdown of the worldwide economy growth, dampened confidence and trusts of our banks and customers. In 2020, Global economy is at the critical period of downturn growth and restructured reform and upgrade, the unexpected COVID-19 epidemic will have a significant impact to the macro-economy.

Director's Statement

Future Plan & Prospect

The Company is facing serious challenges in many aspects, such as the potential short-term liquidity issue to repay its outstanding debt and interests due. The management of the Company is actively working on a debt restructuring plan including but not limited to, liaise actively with the creditors, to engage independent financial advisors and to solicit investors to obtain adequate funding support. To overcome the aforesaid difficulties, the Board has formed a new management in June. After an intensive discussions and considerations, the company has come up with rescue plans including liaising with the creditors on the debt restructuring plan, seeking for new potential investor, redesigning the new business model and operation model implement the most rigid risk management strategy.

In upcoming future, the Company will maintain the core business but will focus more on new product and new business segment development such as environment friendly and medical used plasticware. It is important for us to diversify our financial risk occurred from a single business segment and develop into few new business segments to offset the struggling demand on household market. We can foresee that the worldwide economy is entering into a serious recession due to the outbreak of COVID-19 especially on the upscale retail segments. While most of the customers are delighted with the product quality and function of our brand "clipfresh", we can foresee that the overall market will not be able to accept "clipfresh" high-end retail prices. Instead, we have seen a stronger customer demand on original design manufacture ("ODM") business instead. After several interviews with our customers and discussion throughout the board meeting, we planned to release the key product functions of "clipfresh" to our customer in ODM basis which may help them to build up their own brand and to strengthen their retail business. By lowering the production cost, the Company will be able to stabilize the export business and improve the topline revenue.

While we will continue to develop and expand our customer base in owned brand manufacture ("OBM") and ODM basis, more importantly is we have learned a very hard lesson on risk management. Given the core competencies of the company is the strong customer base and new product development, we will focus on sales management and new product development and reduce our investment in production and factory operations. In order to minimize the factory operation risk, the company decided to outsourcing the manufacturing process to other factories that had good relationship with the company. With that, based on the sales network, product development techniques and expertise that the company strongly possessed, we believe that this restructuring planning will able to turnaround the situation of the Company after the potential investors inject the capital.

With the joint efforts of all of our employee together with the long term support from our customers, business partners and shareholders, I am sure we can turnaround the company in a reasonable period of them and to maximise its corporate value and deliver promising returns to its shareholders again.

Appreciation

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

On behalf of the Board

Chan Sai On Bill

Executive Director

Hong Kong, 30 June 2020

Business Review, Management Discussion and Analysis

Overview

We primarily design, develop, manufacture and sell plastic household products with our headquarters in Hong Kong for almost 40 years. Our products are sold either under our brand “clipfresh” or on an original design manufacture (“ODM”) basis. Our customers are mainly (i) chain supermarkets, department stores and household product retailers; and (ii) importers/exporters. During the year, we sold products to over 40 regions which include Australia, UK, USA, New Zealand and Germany. Year 2019 was full of challenges as the Company experienced an extraordinary difficult business and operational environment, where the worldwide economy had been frustrating and full of uncertainties.

During the year, the Group’s revenue amounted to HKD260.4 million for the year ended 31 December 2019 (“Current Year”), representing a decrease of 18.8% compared with the year ended 31 December 2018 (“Last Year”). The Group’s overall gross profit margin in decrease from around 35.2% to a gross loss margin of around 0.8% in the Current Year. Net loss for the year stored at approximately HKD297.4 million (2018: profit of HKD33.8 million). The significant loss during the year mainly attributed to significant assets impairment due to current market situation and the relocation of factory.

Business Review

In the year of 2019, as planned for a long while, we relocated to the new factory facility site and upgraded aged production equipment by acquiring significant new models of production equipment with higher processing speed and also developed new moulds so as to be responsive to the new product trend. However, the relocation of the factory was awry mainly due to disruption of the operation and due to unstable power supply. With the significant capital injection to the relocation of the new factory facility and acquisition of new machines and moulds, the adverse economy environment and the demand of repayments from banks lead the Company to financial difficulties. The operation of the Company has inevitably been affected. The departure of the key management members and legal representative in early December 2019 further disrupted the routine the operation management, corporate administration and financial reporting.

Since Mr. Tong is responsible for the factory relocation and production matters, his failure of the relocation has put the company into a financial crisis. Mr. Tong decided to leave the company without proper transition of the business and further burdened the company liabilities. The departure of Mr. Tong, who is the former ultimate controlling party, former chairman of the Company, and the legal representative of the company subsidiaries, the business is unavoidably being affected. Even worse, Mr. Tong was unable to supply the books and records due to employee disputes and therefore the new management was not able to comb off the adverse situation. Without any other available options, the factory was subsequently sealed off by the Shenzhen Longgang District People’s Court, on 17 January 2020 due to the litigation of employee disputes. The Group were unable to access to the factory to do any of the accounting process and locating the materials for complete accounting books and records of the Subsidiaries. As a result, by the professional advice, the Directors were of the opinion that the Company was unable to govern the factory and the control over the factory was lost upon Mr. Tong’s resignation as the executive director of the Company on 7 December 2019. In this connection, we have to make a painful decision but to de-consolidate the subsidiary Xinceng plastic.

Business Review, Management Discussion and Analysis

Outlook and Strategy

In 2019, there are significant uncertainties and risks, such as the “trade war” between the People’s Republic of China (the “PRC”) and USA, changes in political and economic policies of the Chinese Government and increases in the prices or the unstable supply of raw materials. Besides, the worldwide economy started entering into a serious recession due to the outbreak of COVID -19 especially on the retail segments. The Board is aware of these risks and the Company will diversify these risks through implementing new business strategies; including but not limited to extend the product to new business segments such as raw material supplies, automobile accessories supplies and medical accessories supplies. New business segments are still expected to remain one of our key success factors. To sustain in the intensely competitive household products market, most of the customers were struggling not to purchase from third party branded items but starting the business on their owned brand.

According to the interviews with our recent customers of the retail business, they are delighted with the product quality and function of our brand “clipfresh” but the forecast they made for the market of 2020 or even a few more years later will not be able to accept the recent retail prices; most of them were asking whether our Company would be able to accept orders on ODM business basis. After several discussion throughout the board meeting, in upcoming future, we will release the signature functions of “clipfresh” to major customers in ODM basis which will help our customer to build up their own brand and to strengthen their retail business, the forecast for 2021 will be around HK\$30.0 million and in 15–18% marginal revenue, covering countries are Australia, USA, UK, Canada, Japan, Israel and South Africa. Also, in order to diversifying the risk of single manufacturing plant, the Company will collaborate with 4 out-sourced factories to lowering the production cost.

The Group is also coming up with new product design and subsequent launches. Moreover, we are implementing technological advancements, such as implementing the perspective of industrial 4.0 including robots, automated injection machines and to use automation line for production and packing in the coming year. Such recent innovations of the Group have been successful in raising the sales of the Group which is driving the growth of the overall net profit for the Current Year. Our innovative and diversified product portfolio will continue to offer us the opportunity to develop new product categories through a combination of manufacturing techniques and cross-promotion of existing as well as new products thus increasing further our scale, strengthening our existing relationships and winning us new customers. To bring the Company out of the financial difficulty, we are working with the new investors and financier for new capital injection and new line of credit, engaging independent financial advisor for debt restructuring plan, liaising with creditors, working with the legal counsel for litigation settlement and targeting to complete the debt restructuring scheme by the end of 2020.

Although in 2020, global economy is at the critical period of downturn growth and structural reformation, the unexpected novel COVID-19 will have significant impact to the macro-economy, we believe that the new management team will lead the Company to a new phase.

Management Discussion and Analysis

Revenue

For the Current Year, revenue of the Group amounted to approximately HK\$260.4 million, representing a decrease of approximately HK\$80.6 million or 23.6% as compared with approximately HK\$341.0 million in 2018.

Cost of Sales

Cost of sales for the Current Year was approximately HK\$262.5 million, representing an increase of approximately HK\$41.7 million or 18.8% from HK\$220.9 million for the Last Year.

Gross (Loss)/Profit

Gross loss for the Current Year was approximately HK\$(2.1) million, representing a net decrease of approximately HK\$122.2 million from approximately HK\$120.1 million compared with the figures in 2018. The gross loss was mainly due to decrease of revenue and drop in profit margin.

Other Gains and Losses

We recorded other net gain of approximately HK\$0.6 million for the Current Year, representing a decrease of approximately HK\$5.9 million for the Last Year. Please refer to the consolidated statement of profit and loss and other comprehensive income 2019, note 7, for the reasons of the net loss.

Selling Expenses

Selling expenses for the Current Year amounted to approximately HK\$24.5 million, representing an increase of approximately HK\$2.0 million or 8.9% from approximately HK\$22.5 million in 2018. This was primarily due to the combined effect of increased transportation costs and marketing costs.

De-consolidation

For the year ended 31 December 2019, the Group had a loss on the de consolidation of subsidiaries of approximately HK\$57.2 million. For details, please refer to the note 3 to the consolidated financial statements.

Impairment losses on amounts due from de-consolidation

For the year ended 31 December 2019, the Group had an impairment losses on the due from de consolidation of approximately HK\$147.1 million. For details, please refer to Independent Auditor's report, note 3 and consolidated statement of profit and loss and other comprehensive income.

Finance Costs

Our finance costs increased from approximately HK\$9.7 million for the Last Year to approximately HK\$15.1 million for the Current Year, representing an increase of approximately HK\$5.4 million or 55.7%. Such increase was primarily due to the increase in interest expenses on banks and other borrowings and overdrafts.

Income Tax Expenses

Our income tax expenses decreased by approximately HK\$10.6 million or 98.1% from approximately HK\$10.8 million for the Last Year to approximately HK\$0.2 million for the Current Year, mainly due to the gross loss.

Management Discussion and Analysis

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

For the Current Year, Loss for the year attributable to owners of the Company amounted to approximately HK\$297.4 million, representing a decrease of net loss of HK\$331.3 million as compared to approximately HK\$33.8 million in Current Year. The loss was primarily due to a decrease in revenue, loss of de consolidation of subsidiaries and loss of impairment. For details, please refer to the consolidated statement of profit and loss and other comprehensive income 2019.

Dividend

The Directors do not recommend the payment of a dividend and resolve not to declare any final dividend and special dividend in respect of the year ended 31 December 2019. (2018: HK\$4.0 cents of final dividend and HK\$3.5 cents of special dividend).

Liquidity and Source of Funding

As of 31 December 2019, the current assets of the Group amounted to approximately HK\$15.0 million, which mainly comprised cash and bank balances (including restricted bank deposits), and trade and other receivables, in the amount of approximately HK\$0.3 million and approximately HK\$14.7 million, respectively. Current liabilities of the Group amounted to approximately HK\$195.5 million, of which approximately HK\$168.4 million was bank and other borrowing and bank overdrafts, approximately HK\$2.5 million was lease liabilities, approximately HK\$18.8 million was trade and other payables approximately HK\$0.3 million was contract liabilities and approximately HK\$5.5 million was tax payable. As of 31 December 2019, the current ratio (the current assets to current liabilities ratio) of the Group was approximately 0.08 times, as compared with approximately 1.25 times as of 31 December 2018. The change in the current ratio was primarily due to high ratio of bank loans.

The Group does not have other debt financing obligations as of 31 December 2019. The Group has breach of financial covenants, please refer to "Loan Covenants".

Capital Expenditure

For the Current Year, the capital expenditure of the Group amounted to approximately HK\$174.0 million, representing an increase of approximately HK\$69.7 million compared with approximately HK\$104.3 million in 2018. The increase in the capital expenditure was primarily due to the acquisition of new moulds and machineries for the new production facility established in Mainland during the year.

Cash Position and Fund Available

During the year, the Group maintained a liquidity position, with working capital being financed by our operating cash flows and borrowings. As at 31 December 2019, our cash and cash equivalents were approximately HK\$0.3 million (31 December 2018: approximately HK\$178.1 million). The Group also had no pledged bank deposits (31 December 2018: approximately HK\$71.6 million) for the Group's banking facilities. As at 31 December 2019 the current ratio of the Group was approximately 0.08 times (31 December 2018: approximately 1.25 times).

Bank and Other Borrowings

As at 31 December 2019, the Group had total bank and other borrowings of approximately HK\$168.4 million (31 December 2018: approximately HK\$233.2 million). As at 31 December 2019, the Group had aggregate banking facilities of approximately HK\$168.4 million, of which approximately HK\$165.9 million was utilised.

Net Gearing Ratio

As at 31 December 2019, the Group had a negative equity of approximately HK\$117.0 million, as compare to the total negative of approximately HK\$225.7 million at 31 December 2018.

Material Investments

For the Current Year, the Group spent approximately HK\$174.0 million in acquisition of plant and equipment (2018: approximately HK\$104.3 million).

Net Current (Liabilities)/Assets

As at 31 December 2019, the Group had net current liabilities of approximately HK\$180.5 million (Current assets 31 December 2019: approximately HK\$15.0 million, current liabilities 31 December 2019: approximately HK\$195.5 million) as compare to net current assets 31 December 2018 of approximately HK\$81.5 million. The change from net current assets as at 31 December 2018 to net current liabilities as at 31 December 2019 was due to decrease of revenue, de consolidation and loss in asset impairment.

Administrative Expenses

During the Current Year, administrative expenses amounted to approximately HK\$50.6 million, representing an increase of approximately HK\$13.5 million or 36.2% from HK\$37.3 million in 2018, which was primarily due to (i) the additional professional service fee (ii) the increase in staff costs and (iii) the rental expenses.

Pledge of Assets

Certain of the Group's borrowings are secured by assets of the Group. We have HK\$ NIL restricted bank deposit as at 31 December 2019 (2018: approximately HK\$71.7 million).

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

Loan Covenants

As at 31 December 2019, the Group had a breach of financial covenants, see note 25 to the consolidated financial statements.

Contingent Liabilities

As at 31 December 2019, the Group issued financial guarantees to banks in respect of banking facilities granted to related parties of an aggregate amount of HK\$34.0 million (2018: HK\$34.0 million). The amount disclosed above represents the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety, of which HK\$33.5 million (2018: HK\$34.0 million) has been utilised by the related parties respectively. Financial guarantees are initially recognised at fair value. As at 31 December 2019, amounts of HK\$542,000 (2018: HK\$564,000) have been recognised as financial guarantee obligations in the consolidated statement of financial position.

Management Discussion and Analysis

Litigation

Please refer to consolidated financial statement note 37.

Petition

Please refer to the consolidated financial statement note 38.

Employees and Remuneration Policy

As at 31 December 2019, the Group had approximately 366 (2018: 443) employees in Hong Kong and PRC. Total staff costs including Directors' emoluments for the Current Year, amounted to approximately HK\$47.4 million (2018: approximately HK\$50.5 million). The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

Treasury Policy

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

Foreign Exchange Exposure

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

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

As at 31 December 2019, the Group had not entered any financial instrument for the hedging of foreign currency.

Corporate Governance and Other Information

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

Corporate Governance Practices

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

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

In the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code throughout the year ended 31 December 2019.

Directors' Securities Transactions

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

Board of Directors

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

The Board currently consists of five Directors including two Executive Directors and three Independent Non-executive Directors:

Executive Directors

Mr. Chan Sai On Bill (redesignated on 10 June 2020)
Mr. Ng Chun Chung (redesignated on 10 June 2020)

Independent Non-executive Directors

Mr. Li Ka Chun (appointed on 10 June 2020)
Mr. Sze Chun Wai (appointed on 7 February 2020)
Mr. Fung Wai Hang (appointed on 10 June 2020)

Corporate Governance and Other Information

Appointment and Re-election of Directors

Each of Mr. Chan Sai On Bill and Mr. Ng Chun Chung have entered into a service agreement with the Company commencing on 10 June 2020 subject to retirement and re-election in accordance with the Articles of Associations of the Company.

Each of Mr. Li Ka Chun and Mr. Fung Wai Hang have entered into a service agreement with the Company commencing on 10 June 2020, Mr. Sze Chun Wai has entered into a service agreement with the Company commencing on 7 February 2020, (unless terminated by not less one month's prior notice in writing served by either party pursuant to the terms of the service agreement) subject to retirement and re-election in accordance with the Articles of Associations of the Company.

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

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

Save as disclosed in the above paragraph, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board demonstrated holistic skills and experiences acquired by Directors in pursuance for effective leadership. The biographical information of the Directors are set out on pages 29 to 33 under the section headed "Biographical Details of Directors and Senior Management".

Directors' Training

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

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

Corporate Governance and Other Information

The individual training record of each Director received until 30 June 2020 is summarised below:

Name of Directors	Attending seminars/ reading materials relevant to the Director's duties
Mr. Chan Sai On Bill	1
Mr. Ng Chun Chung	1
Mr. Li Ka Chun	1
Mr. Sze Chun Wai	1
Mr. Fung Wai Hang	1

Chairman and Chief Executive Officer

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

The two positions are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Tong Ying Chiu is the Chairman of the Board until 6 December 2019 and the position of the Chairman remains on hold up to now, and Mr. Tong Bak Nam Billy is the Chief Executive Officer until 2 June 2020 and Mr. Lau Wing Yui Felix is appointed as the Chief Executive Officer of the Company. Mr. Tong Ying Chiu is in charge of the management of the Board and strategic planning of the Group. Mr. Lau Wing Yui Felix is responsible for the day-to-day management of the Group's business. The Company considered that the division of responsibilities between the Chairman and Chief Executive Officer is clearly established.

Independent Non-executive Directors

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

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

Corporate Governance and Other Information

Functions of the Board and Management

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

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

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

Board Diversity Policy

The Board adopted a board diversity policy on 3 October 2018 and revised on 6 December 2019 (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of diversity in the Board and is committed to enhancing quality of opportunity in all aspects of its business.

The Company seeks to achieve Board diversity through the consideration against a range of objective criteria, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

During the year ended 31 December 2019, the Board comprises six Directors, two of whom is female. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

Name of Directors	Age Group	
	30-60	61 and above
Mr. Chan Kam Hon Ivan (<i>Chairman</i>)	✓	
Mr. Tong Bak Nam Billy (<i>CEO</i>)	✓	
Ms. Jiselle Joey Chan	✓	
Mr. Un Ga Wei	✓	
Ms. Hui Chi Yan Amy	✓	
Mr. Cheung Ting Kin	✓	

Name of Directors	Professional Experience			
	Sales and marketing and product development	Management	Accounting and finance	Law
Mr. Chan Kam Hon Ivan (<i>Chairman</i>)	✓	✓		
Mr. Tong Bak Nam Billy (<i>CEO</i>)	✓	✓		
Ms. Jiselle Joey Chan		✓		
Mr. Un Ga Wei		✓		✓
Ms. Hui Chi Yan Amy				✓
Mr. Cheung Ting Kin			✓	

Measurable Objectives and Selection

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

Implementation and Monitoring

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

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

Board Meetings

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

During the period from the 1 January 2019 to 31 December 2019, the Board held four meetings. The attendance record of each Director is set out below:

Name of Directors	Number of attendance
Executive Directors	
Mr. Tong Ying Chiu (<i>Chairman</i>)	4/4
Mr. Ng Siu Kuen Sylvia	4/4
Mr. Tong Bak Nam Billy	4/4
Mr. Chan Kam Hon Ivan	4/4
Mr. Un Ga Wei	0
Mr. Jiselle Joey Chan	0
Independent Non-executive Directors	
Mr. Yuen Chi Ping	4/4
Mr. Leung Leslie Yau Chak	4/4
Mr. Cheung Ting Kin	4/4
Mr. Ip Hon Wah	0
Ms. Hui Chi Yan Amy	0

Corporate Governance and Other Information

Board minutes are kept by the Company secretary of the Company (the “Company Secretary”) and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. Mr. Un Ga Wei, Ms. Jiselle Joey Chan, M. Ip Hon Wah and Ms. Hui Chi Yan Amy were appointed as the executive directors and independent non-executive directors after 7 February 2020, as a result they have no attendance record throughout the year of 2019.

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

General Meetings

During the period from the 1 January 2019 to 31 December 2019, no general meeting was held.

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

Nomination Committee

The Company established the Nomination Committee with written terms of reference on 3 October 2018 and revised on 6 December 2019 and consisted of one Executive Directors and three Independent Non executive Directors, namely Mr. Cheung Ting Kin (as chairman), Mr. Leung Leslie Yau Chak, Mr. Yuen Chi Pang and Mr. Tong Bak Nam Billy. The final adjustment has been made on 10 June 2020 and currently consists of one Executive Director and two Independent Non executive Directors, namely Mr. Sze Chun Wai (as chairman), Mr. Li Ka Chun and Mr. Ng Chun Chung. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

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

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

During the period from the 1 January 2019 to 31 December 2019, the Nomination Committee held three meetings.

Name of Members	Number of attendance
Mr. Cheung Ting Kin (<i>Chairman</i>)	3/3
Mr. Leung Leslie Yau Chak	1/3
Mr. Tong Bak Nam Billy	2/3
Mr. Yuen Chi Ping	1/3

Corporate Governance and Other Information

As at 30 June 2020, the Nomination Committee consists of the following members.

Name of Members	Number of attendance
Mr. Sze Chun Wai (<i>Chairman</i>)	1/1
Mr. Li Ka Chun	1/1
Mr. Ng Chun Chung	1/1

Nomination Policy

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

Selection Criteria

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

- (1) reputation for integrity;
- (2) accomplishment and experience in the business in which the Group is engaged in;
- (3) commitment in respect of available time and relevant interest;
- (4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;
- (5) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- (6) the number of existing directorships and other commitments that may demand the attention of the candidate;
- (7) requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules;
- (8) Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- (9) such other perspectives appropriate to the Company's business.

Corporate Governance and Other Information

Director Nomination Procedure

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

- (1) The Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;
- (2) The Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;
- (3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;
- (4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;
- (5) In the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and
- (6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference on 3 October 2018 and revised on 6 December 2019 and consisted of one Executive Director and two Independent Non-executive Directors, namely Mr. Leung Leslie Yau Chak (as chairman), Mr. Cheung Ting Kin and Mr. Tong Bak Nam Billy. The final adjustment has been made on 10 June 2020 and currently consists of two Executive Directors and one Independent Non executive Director, namely Mr. Ng Chun Chung (as chairman), Mr. Chan Sai On Bill and Mr. Sze Chun Wai. The terms of reference of the Remuneration Committee is currently made available on the websites of Stock Exchange and the Company.

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

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

Corporate Governance and Other Information

During the period from the 1 January 2019 to 31 December 2019, the Remuneration Committee held two meetings.

Name of Members	Number of attendance
Mr. Leung Leslie Yau Chak (<i>Chairman</i>)	2/2
Mr. Cheung Ting Kin	2/2
Mr. Tong Bak Nam Billy	2/2

As at 30 June 2020, the Remuneration Committee consists of the following members.

Name of Members	Number of attendance
Mr. Ng Chun Chung (<i>Chairman</i>)	1/1
Mr. Sze Chun Wai	1/1
Mr. Chan Sai On Bill	1/1

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

Senior Management's Remuneration

Senior management's remuneration for the year ended 31 December 2019 falls within the following bands:

	Number of individuals
HK\$1,000,001 to HK\$2,000,000	2
HK\$2,000,001 to HK\$3,000,000	3

Audit Committee

The Company established the Audit Committee with written terms of reference on 3 October 2018 and revised on 6 December 2019 and consisted of three Independent Non-executive Directors, namely Mr. Cheung Ting Kin (as chairman), Mr. Yuen Chi Pang and Mr. Leung Leslie Yau Chak. The final adjustment has been made on 10 June 2020 and currently consists of three Independent Non-executive Directors, namely Mr. Fung Wai Hang (as chairman), Mr. Li Ka Chun and Mr. Sze Chun Wai. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

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

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

Corporate Governance and Other Information

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

During the period from the Listing Date to 31 December 2019, the Audit Committee held two meetings.

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

As at 30 June 2020, the Audit Committee consists of the following members.

Name of Members	Number of attendance
Mr. Fung Wai Hang (<i>Chairman</i>)	1/1
Mr. Sze Chun Wai	1/1
Mr. Li Ka Chun	1/1

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

The accounts for the year ended 31 December 2019 were audited by KTC Partners CPA Limited whose term of office will expire upon the conclusion of the forthcoming annual general meeting of the Company ("2020 AGM").

Risk Management Committee

The Company established the Risk Management Committee with written terms of reference on 3 October 2018 and revised on 6 December 2019 and consisted of three Executive Directors and one Independent Non-executive Directors, namely Mr. Un Ga Wei, Mr. Tong Bak Nam Billy, Ms. Jiselle Joey Chan and Ms. Hui Chi Yan Amy. The final adjustment has been made on 10 June 2020 and currently consists of two Executive Directors and one Independent Non-executive Director, namely Mr. Chan Sai On Bill (as chairman), Mr. Ng Chun Chung and Mr. Fung Wai Hang. The terms of reference of the Risk Management Committee is currently made available on the websites of the Stock Exchange and the Company.

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

Corporate Governance and Other Information

During the period from 1 January 2019 to 31 December 2019, the Risk Management Committee held one meeting.

Name of Members	Number of attendance
Mr. Tong Ying Chiu	1/1
Ms. Ng Siu Kuen Sylvia	1/1
Mr. Tong Bak Nam Billy	1/1

As at 30 June 2020, the Risk Management Committee consists of the following members.

Name of Members	Number of attendance
Mr. Chan Sai On Bill (<i>Chairman</i>)	1/1
Mr. Ng Chun Chung	1/1
Mr. Fung Wai Hang	1/1

Corporate Governance Functions

The corporate governance functions are performed by the Board.

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

Auditors' Remuneration

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

	Fee paid/payable HK\$'000
Audit services	1,500

Company Secretary

The Company has appointed Ms. Yeung Ching Man as its Company Secretary. Ms. Yeung Ching Man confirmed that for the year ended 31 December 2019, she has taken no less than 15 hours of relevant professional training. The biography of Ms. Yeung Ching Man is set out in the section headed "Biographies of Directors and Senior Management" of this report.

Shareholders' Rights

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

Corporate Governance and Other Information

Shareholders to convene an EGM

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the “Eligible Shareholder(s)”) shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the “Company Secretary”), to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the “Requisition”) signed by the Eligible Shareholder(s) concerned to the Flat A, 28/F, YF Life Tower, 33 Lockhart Road, Wan Chai, Hong Kong for the attention of the Company Secretary.

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

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

Putting enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company’s principal place of business in Hong Kong at Flat A, 28/F, YF Life Tower, 33 Lockhart Road, Wan Chai, Hong Kong by post or by email to info@clip-fresh.com.

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

If a shareholder of the Company wishes to propose a person other than a Director of the Company for election as a Director, the Shareholder must deposit a written notice (the “Notice”) to the principal place of business of the Company in Hong Kong at Flat A, 28/F, YF Life Tower, 33 Lockhart Road, Wan Chai, Hong Kong, or the branch share registrar of the Company, Union Registrars Limited (“Share Registrar”), at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for the attention of the Company Secretary.

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

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

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

Procedures for shareholders to put forward proposals at general meetings

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

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

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

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

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2020 AGM will be voted by poll.

Investor Relations

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

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

- Delivery of annual and interim reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Corporate Governance and Other Information

Directors' Responsibilities for the Consolidated Financial Statements

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2019, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

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

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

Risk Management and Internal Control

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

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

Risk management

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

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

Internal control measures

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

Internal audit function

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

Handling and dissemination of inside information

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

Dividend Policy

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

- (1) the Group's actual and expected financial performance;
- (2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- (3) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (4) the Group's liquidity position;
- (5) interest of shareholder;
- (6) taxation consideration;
- (7) potential effect on creditworthiness;

Corporate Governance and Other Information

- (8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (9) any other factors that the Board deems appropriate.

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

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

Constitutional Documents

Pursuant to special resolutions of the shareholders of the Company passed on 16 August 2018, the existing memorandum and articles of association of the Company were adopted. Save as disclosed above, throughout the year ended 31 December 2019, there was no change in the constitutional documents of the Company.

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

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Tong Ying Chiu (湯應潮) ("Mr. Tong"), aged 69, is our founder, Chairman and Executive Director. Mr. Tong founded our Group in July 1979 and is responsible for the overall management, strategic development and major decision-making of our Group. Mr. Tong attended secondary education in Hong Kong. Mr. Tong has over 30 years of experience in the plastic products industry with extensive business and client network and experience in sales and marketing, product development, customer service and business management, which contributed to the long-term client relationship maintenance and business expansion of our Group. Mr. Tong is the spouse of Ms. Ng Siu Kuen Sylvia, our Executive Director and the father of Mr. Tong Bak Nam Billy, our chief executive officer and Executive Director. Mr. Tong has resigned on 6 December 2019.

Ms. Ng Siu Kuen Sylvia (吳笑娟) ("Ms. Ng"), aged 67, is our Executive Director. Ms. Ng has been serving our Group since June 1989. Ms. Ng is responsible for managing the production of our Group. Ms. Ng has over 25 years of experience in the plastic products industry with in-depth knowledge in the manufacturing of plastic household products acquired through our Group. Ms. Ng is the spouse of Mr. Tong Ying Chiu, our Chairman and Executive Director and the mother of Mr. Tong Bak Nam Billy, our chief executive officer and Executive Director. Ms. Sylvia Ng has resigned on 6 December 2019.

Mr. Tong Bak Nam Billy (湯栢楠) ("Mr. Billy Tong"), aged 43, is our chief executive officer and Executive Director. Mr. Billy Tong joined our Group in March 2006. Mr. Billy Tong is responsible for the overall management, strategic development and major decision-making of our Group. Mr. Billy Tong attended Macquarie University from July 1997 to November 2002 and was admitted into the Bachelor of Science in the Division of Information and Communication Sciences. Mr. Billy Tong has over 10 years of experience of managing and operating a plastic household products business. Since April 2017, Mr. Billy Tong has been a director of Pok Oi Hospital (a charity organisation) in Hong Kong. In August 2017, he was selected as a winner of the Young Industrialist Awards of Hong Kong 2017 by the Federation of Hong Kong Industries.

Mr. Billy Tong is the son of Mr. Tong Ying Chiu, our Chairman and Executive Director and Ms. Ng Siu Kuen Sylvia, our Executive Director. Mr. Billy Tong has resigned on 2 June 2020.

Mr. Chan Kam Hon Ivan (陳錦漢) ("Mr. Chan"), aged 37, is our chief financial officer, Company Secretary and Executive Director. Mr. Chan joined the Group in March 2013 and is responsible for overall strategy development and financial operations and management of our Group. Mr. Chan obtained a degree of Bachelor of Commerce, with a double major in accounting and commercial law, from The University of Auckland in New Zealand, in May 2005. He has been a Certified Public Accountant (Practising) of the HKICPA since January 2013, a fellow member of HKICPA since March 2019 and a member of the HKICPA since March 2009. Mr. Chan has over 10 years of experience in the accounting and auditing disciplines. Prior to joining our Group, Mr. Chan worked in a number of accounting firms in the assurance department including Horwath Hong Kong CPA Limited from January 2005 to February 2007, Grant Thornton from March 2007 to February 2008, and PricewaterhouseCoopers Ltd. from February 2008 to August 2012. Mr. Chan has resigned on 10 June 2020.

Biographical Details of Directors and Senior Management

Mr. Un Ga Wei (阮嘉璋) ("Mr. Un"), aged 38, holds a Bachelor of Laws from the University of Westminster and a Master's degree in Criminology and Criminal Justice from the University of London. Mr. Un has worked in the legal industry in Hong Kong since 2007. From May 2016 to September 2017, he served as the Senior Vice President Core Pacific-Yamaichi of Core Pacific Group and mainly conducted research on Common Reporting Standard. In September 2017, he served as Partner in Asia One Professional Consultancy Limited Company, the Chief Technical Offer and Chief Compliance Training program Officer in Hongya Professional Consulting Business Company Limited* (宏亞專業顧問業務有限公司), and the Chairman of Money Master Consultancy Limited (金錢大師顧問有限公司). Mr. Un is currently the Legal Director of Red Pro Capital Group Limited (紅專資本集團有限公司) and the Chief Legal Officer of Ample Knight Holdings Limited (俠豐控股有限公司). He also volunteers to work as the Legal Director in Protection (Holdings) Group Limited, the Legal Director of Sinocan Institute of Higher Education & Training Limited (翰林學院高級及培訓有限公司) (Member of the United Nation Sustainable Development Goals Special Project 25542), and the Chief Legal and Compliance Director of Aevum Biotech International Limited (伊宏生命科技國際有限公司). Mr. Un is also the Vice Chairman of the Hong Kong Quality And Talent Migrants Association. Mr. Un has resigned on 10 June 2020.

Ms. Jiselle Joey Chan (陳芊妤) ("Ms. Jiselle Chan"), aged 38, holds a Diploma Yi Jin from the Hong Kong Baptist University, majoring in finance and banking. She studied Jewelry Design in GIA, Hong Kong from 2008 to 2009. She was the owner of Vala Virtue Spa in Hong Kong from 2011 to 2013 and was the Administration Officer of Yacht Kingdom Investment Holding Limited from May 2012 to March 2017. Since April 2017, she served as the CEO in Kai Tak Cars Limited. She has considerable experience in business management. Ms. Jiselle Chan has resigned on 10 June 2020.

Mr. Ng Chun Chung (吳振中) ("Mr. Ng"), aged 38, has more than 12 years of experience in accounting and auditing. Mr. Ng joined Aoba CPA Limited in 2008 as an Audit Associate, and his last held position was audit Senior. In 2011, Mr. Ng served in Baker Tilly Hong Kong Business Services Limited as a senior associate. In September 2014, Mr. Ng served as the finance manager in Wai Chi Holdings Company Limited, a company listed on the Main Board of the Stock Exchange. In 2017, Mr. Ng was appointed as the chief financial officer of CaSO Environmental Group Limited, an integrated solution provider in wall system in Hong Kong. Since 2019, Mr. Ng has been engaged by Rongwen Energy Science and Technology Group Co., Limited as the chief financial officer. Mr. Ng obtained his bachelor degree in business administration from Lingnan University in Hong Kong in December 2005. Mr. Ng was admitted as a member of the HKICPA in January 2012. Mr. Ng entered into a service contract with the company on 10 June 2020.

Mr. Chan Sai On Bill (陳世安) ("Mr. Bill Chan"), aged 45, has over 20 years of experience in the financial industry, in particular, fund management and administration, regulatory compliance and investors relations. Mr. Bill Chan graduated with a Bachelor's degree in Accounting and Finance from the Stern School of Business of New York University in the United States and is a Certified Public Accountant in the state of Colorado, the USA. Mr. Bill Chan has held numerous positions in world class asset management firms to establish his financial expertise. From September 1997 to January 1999, Mr. Bill Chan worked at PricewaterhouseCoopers LLP as an associate. From May 1999 to April 2005, Mr. Bill Chan was a tax manager at Ernst & Young. Between April 2005 and June 2007, he was a fund accounting and tax manager at Rockefeller & Co. and from July 2007 to January 2008, the financial controller of Apollo Capital Management. Further, from February 2008 to February 2010, Mr. Bill Chan was appointed as the managing director of Harres Apparel Limited. From February 2010 to September 2014, he worked as the senior vice president of Citco Fund Services Pte Ltd. Since June 2018, Mr. Bill Chan has worked as the managing director in tax, compliance and corporate strategies of Cachet Group Limited. Mr. Bill Chan entered into a service contract with the company on 10 June 2020.

Biographical Details of Directors and Senior Management

Independent Non-Executive Directors

Mr. Yuen Chi Ping (袁志平) (“Mr. Yuen”), aged 42, has been appointed as our Independent Non-executive Director on 16 August 2018. Mr. Yuen is a qualified lawyer in Hong Kong and England and Wales and has over 12 years of experience practising as a lawyer in the PRC and Hong Kong. Mr. Yuen obtained a Bachelor of Laws in November 2001 and was awarded the Postgraduate Certificate in Laws in June 2002 from the University of Hong Kong, then undertake his traineeship and worked as a lawyer in various leading international law firms. He started work as a special counsel in the Shanghai office of Baker & McKenzie from 2011 to 2014. Mr. Yuen was the chief operating officer of Fullshare Holdings Limited from October 2014 to March 2018, which mainly engaged in real estate development, the provision of green building services and investment activities, and the healthcare business, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 607). Since July 2016, Mr. Yuen has been a non-executive director of Hin Sang Group (International) Holding Co. Ltd., which mainly engaged in the business of children’s health care, Chinese medicines and traditional Chinese medical related projects, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6893). Since September 2016, Mr. Yuen has been an executive director and chief executive officer of Applied Development Holdings Limited, which mainly engaged in property investment, resort and property development and investment holding, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 519). Since December 2016, Mr. Yuen has been a non-executive director of China High Speed Transmission Equipment Group Co., Ltd., which principally engaged in producing mechanical transmission equipment and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 658). Since April 2017, Mr. Yuen has also been a director of Pok Oi Hospital (a charity organisation). Since April 2018, Mr. Yuen has been an executive director, the vice-chairman and the co-chief executive officer of Longitech Smart Energy Holding Limited, which principally engaged in the primary land development and public infrastructure construction business and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1281). Mr. Yuen has resigned on 29 August 2019.

Mr. Cheung Ting Kin (張錠堅) (“Mr. Cheung”), aged 38, has been appointed as our Independent Non-executive Director on 16 August 2018. Mr. Cheung has been admitted to the degree of Bachelor of Commerce Accounting and Finance by Curtin University of Technology in Australia in September 2004 and has been awarded the degree of Master of Finance by The Australian National University in December 2005. Mr. Cheung worked in Ernst & Young as an accountant from September 2006 to November 2009, in Surrey Junction Investment Limited, a company engaging in media, entertainment and lifestyle in the PRC, as the chief financial officer from May 2010 to November 2011, and in Seige Communication Limited, a company engaging in financial public relations, manufacturing and trade, as the chief financial officer from January 2012 to December 2013. From October 2013 to July 2014, he was a financial controller at Richly Field China Development Limited, a company engaging in commercial and residential property development and operation and whose shares are listed on the Main Board of the Stock Exchange (stock code: 313). He was further appointed as the chief financial officer and company secretary of Richly Field China Development Limited since July 2014 and July 2015, respectively. In June 2016, he was appointed as a director of Maia Global Investments Limited, a company engaged in private equity investment fund. Since 28 February 2017, he has been appointed as a director of Guardians Asset Management Limited with principal business of assets management. Since January 2019, he has been appointed as the chief business development director of Plutus Securities Limited (a licensed corporation under SFO to engage in Type 1 (Dealing in securities regulated activity) and Plutus Asset Management Limited (a licensed corporation under the SFO to engage in Type 4 (Advising on securities) and Type 9 (Asset management) regulated activities). Mr. Cheung has been a Certified Public Accountant of the HKICPA since March 2015, an associate of CPA Australia since June 2004 and certified dealmaker of the China Mergers & Acquisitions Association since February 2015. Mr. Cheung has resigned on 7 February 2020.

Biographical Details of Directors and Senior Management

Mr. Leung Leslie Yau Chak (梁祐澤) ("Mr. Leung"), aged 35, has been appointed as our Independent Non-executive Director on 16 August 2018. Mr. Leung obtained a Bachelor of Commerce degree majoring in Accounting and Finance from The University of Auckland in New Zealand in May 2006. Mr. Leung worked at Bloomberg L.P., a company engaging in providing financial software tools, data services, and news to financial companies and organisations as a data expert from May 2008 to June 2010. He later worked at N.M. Rothschild & Sons (Hong Kong) Limited (now known as Rothschild (Hong Kong) Limited), a company engaging in providing M & A, strategy and financing advisory to corporations, private equity, families and entrepreneurs, as an analyst from September 2010 to June 2013 and as an associate from July 2013 to July 2015. Mr. Leung then worked as a manager in the strategic investment department of Taobao China Holding Limited from December 2015 to January 2017. Mr. Leung has been working at Chow Tai Fook Enterprises Limited, an investment holding company as a senior associate from February 2017 to April 2018, and has been appointed as the vice-president since April 2018. Mr. Leung has been a chartered financial analyst charterholder of the CFA Institute since October 2012. Mr. Leung has resigned on 6 December 2019.

Mr. Ip Hon Wah (葉瀚華) ("Mr. Ip"), aged 39, graduated from the University of Cambridge, England with a Bachelor of Arts Degree and a Master of Arts Degree in 2004 and 2008 respectively. In 2005, he obtained a Graduate Diploma in Law (Distinction) from the College of Law, England. In 2006, he obtained a Postgraduate Certificate in Laws from the University of Hong Kong. Mr. Ip was called to the Bar of Hong Kong in 2007. He practiced as a barrister from September 2007 to September 2011 and resumes his practice as a barrister since 1 October 2019. Since December 2015, Mr. Ip operates and manages 2 restaurants in Hong Kong. From November 2014 to February 2016, Mr. Ip operated an online shop which sells traditional Chinese seafood products. Mr. Ip has resigned on 6 December 2019.

Ms. Hui Chi Yan Amy (許智欣) ("Ms. Hui"), aged 37 currently serves as the chief financial officer and company secretary of a private construction company. He has more than 10 years of experience in accounting, auditing and corporate secretarial services. He obtained a bachelor of business administration degree in accountancy from the Hong Kong Polytechnic University, Hong Kong in December 2007. Mr. Li has been a certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants since October 2016.

Mr. Li Ka Chun (李家駿) ("Mr. Li"), aged 37 currently serves as the chief financial officer and company secretary of a private construction company. He has more than 10 years of experience in accounting, auditing and corporate secretarial services. He obtained a bachelor of business administration degree in accountancy from the Hong Kong Polytechnic University, Hong Kong in December 2007. Mr. Li has been a certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants since October 2016.

Mr. Fung Wai Hang (馮偉恒) ("Mr. Fung"), aged 34, obtained a Bachelor's degree in business administration (professional accountancy) from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Institute of Chartered Secretaries, a member of the Institute of Chartered Secretaries and Administrators, a chartered global management accountant of the Chartered Institute of Management Accountants, a certified internal auditor of the Association of Chinese Internal Auditors, a member of the Hong Kong Securities and Investment Institute, an accredited mediator (general) of the Hong Kong Mediation Accreditation Association and an panel member of the Hong Kong Mediation Centre. Mr. Fung was elected as a council member of the Council for the Promotion of Guangdong-Hongkong-Macao Cooperation (the 4th cabinet) in December 2018. Mr. Fung is currently an executive director, chief financial officer and company secretary of Anchorstone Holdings Limited (HKSE: 01592). He was worked at PricewaterhouseCoopers from 2008 to 2017, and have over 10 years of experience in accounting, auditing and financial management.

Biographical Details of Directors and Senior Management

Mr. Sze Chnu Wai (施俊威) ("Mr. Sze"), aged 39, holds a Bachelor's degree of Business Administration from the University of British Columbia in Canada in 2002, a Master's degree in Finance from the City University of Hong Kong in 2007, a Juris Doctor Postgraduate from the Chinese University of Hong Kong in 2009 and a Doctor of Business Management Honoris Causa degree from Cambridge Ministry Church and Institute in 2015. Mr. Sze specializes in law, economics and risk management. Since 2015, Mr. Sze has served as the General Manager of Fongs Law Firm. In 2017, he was appointed as a committee member of the Appeal Panel (Housing) under the Government Transport and Housing Bureau. Since January 2018, Mr. Sze has also been the economic affairs consultant of ZLF Law Office, the first joint venture law firm in China comprising law firms from Beijing, Macau and Hong Kong with the approval of Guangdong Provincial Department of Justice.

Senior Management

Mr. Lau Wing Yui Felix (劉穎睿) ("Mr. Lau"), aged 43, is our chief executive officer. Mr. Lau joined the Group in April 2017 and is responsible for overall strategic and operation management of our Group. Mr. Lau obtained a Bachelor's degree in Business Studies from Massey University in New Zealand in April 2001 and a Master of Commerce degree in Marketing from University of New South Wales in Australia in June 2002. Mr. Lau has over 10 years of experience in merchandising, sales and marketing disciplines. Prior to joining our Group, Mr. Lau worked in a number of firms including Training Master Limited, a company engaging in corporate training, from February 2002 to September 2003, Asia Master Limited, a company engaging in ceramic manufacturing, from September 2003 to August 2006, Homeasy Enterprise Limited, a company engaging in the trading of houseware products, as Marketing Manager, from September 2006 to December 2007, Heritage Mint (Asia) Ltd, a company engaging in the importing and wholesaling of household products, as Vice President from January 2008 to August 2015, Homeasy Enterprise Limited as Marketing Director from October 2015 to March 2017. Mr. Lau was the Leadership Development Officer in 2002, Leadership Development Director in 2003 and Vice President of Leadership Development and Youth Affairs in 2004 of the Junior Chamber International Victoria (Hong Kong) Ltd., a charitable organization aiming to provide development opportunities for young people.

Company Secretary

Ms. Yeung Ching Man (楊靜文) ("Ms. Yeung"), currently serves as a vice president of SWCS Corporate Services Group (Hong Kong) Limited ("SWCS"), where she is responsible for managing the company secretarial and compliance work for a number of companies listed on the Stock Exchange. Prior to joining SWCS, Ms. Yeung worked for an international accounting firm and the Listing Division of the Stock Exchange for over thirteen years. Ms. Yeung graduated from The Chinese University of Hong Kong, where she obtained a Bachelor's Degree in Business Administration in 2006. She graduated from The University of Hong Kong, where she obtained a Master's Degree of Laws in Corporate and Financial Law in 2014. Ms. Yeung is currently a member of the Hong Kong Institute of Certified Public Accountants.

Directors' Report

The Board of Directors is pleased to present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Principal Place of Business

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and has its principal place of business at 28/F, YF Life Tower, 33 Lockhart Road, Wanchai, Hong Kong.

Principal Activities

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

Business Review

A review of the business of the Group and, a discussion on the Group's future business development, and the Group's Performance during the year are provided in the section headed "Business Review, Management Discussion and Analysis" on pages 7 to 12.

Principal Risks and Uncertainties

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

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

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

Compliance with the Relevant Laws and Regulations

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

Key Relationships with Employees, Customers and Suppliers

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

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

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 51.

The Directors do not recommend the payment of a dividend and resolve not to declare any final dividend and special dividend in respect of the year ended 31 December 2019. (2018: HK\$4.0 cents of final dividend and HK\$3.5 cents of special dividend).

Charitable Donations

During the year, the Group do not make any charitable donations (2018: approximately HK\$0.1 million).

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 23 July 2020 to Wednesday, 29 July 2020 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement to attend and vote at the 2019 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Wednesday, 22 July 2020.

Machinery and Equipment

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

Distributable Reserves

As at 31 December 2019, the Company's reserves available for distribution to the shareholders is nil (2018: approximately HK\$89.1 million).

Share Capital

Details of the movements in the share capital during the year are set out in note 29 to the consolidated financial statements.

Pre-Emptive Rights

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

Relief of Taxation

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

Directors' Report

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased or redeemed any of the listed shares of the Company.

Permitted Indemnity Provision

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

Group Financial Summary

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on page 126 of this report.

Directors

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

Executive Directors

Mr. Tong Ying Chiu (<i>Chairman</i>)	(resigned on 7 December 2019)
Ms. Ng Siu Kuen Sylvia	(resigned on 7 December 2019)
Mr. Tong Bak Nam Billy (<i>Chief Executive Officer</i>)	(resigned on 2 June 2020)
Mr. Chan Kam Hon Ivan	(resigned on 10 June 2020)
Ms. Jiselle Joey Chan	(appointed on 6 December 2019 and resigned on 10 June 2020)
Mr. Un Ga Wei	(appointed on 6 December 2019 and resigned on 10 June 2020)
Mr. Chan Sai On Bill	(redesignated on 10 June 2020)
Mr. Ng Chun Chung	(redesignated on 10 June 2020)

Non-executive Director

Mr. Chan Sai On Bill	(appointed on 21 February 2020 and redesignated on 10 June 2020)
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Independent Non-executive Directors

Mr. Yuen Chi Ping	(resigned on 29 August 2019)
Mr. Leung Leslie Yau Chak	(resigned on 6 December 2019)
Mr. Cheung Ting Kin	(resigned on 7 February 2020)
Ms. Hui Chi Yan Amy	(appointed on 6 December 2019 and resigned on 10 June 2020)
Mr. Ip Hon Wah	(appointed on 21 October 2019 and resigned on 6 December 2019)
Mr. Fung Wai Hang	(appointed on 10 June 2020)
Mr. Ng Chun Chung	(appointed on 21 February 2020 and redesignated on 10 June 2020)
Mr. Li Ka Chun	(appointed on 10 June 2020)
Mr. Sze Chun Wai	(appointed on 7 February 2020)

Pursuant to Article 84(1) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to the retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Accordingly, Mr. Chan Sai On Bill and Mr. Ng Chun Chung shall retire from office by rotation at the 2020 AGM and, being eligible, will offer themselves for re-election at the 2020 AGM.

Article 83(3) of the Articles of Association provides that the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. In accordance with Article 83(3), Mr. Sze Chun Wai, Mr. Li Ka Chun and Mr. Fung Wai Hang should hold office until the 2020 AGM and being eligible for re-election at the 2020 AGM.

Directors' Service Contracts

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years commencing from 10 June 2020. Either party has the right to terminate the service agreement by giving not less than three months' written notice to the other party.

Each of the Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of one year. Mr. Sze Chun Wai has entered into a letter of appointment with the Company commencing from 7 February 2020 and each of Mr. Fung Wai Hang and Mr. Li Ka Chun has entered into a letter of appointment with the Company commencing from 10 June 2020. Either party has the right to terminate the letter of appointment by giving not less than three month's written notice to the other party.

None of the Directors who are proposed for re-election at the 2020 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Related Party Transactions

Details of the related party transactions undertaken by the Group are set out in note 32 to the consolidated financial statements. The Directors consider that those related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Confirmation of Independence

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

Directors' Rights to Acquire Shares or Debentures

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

Directors' Report

Directors' Material Interests in Transactions, Arrangements or Contracts

No significant transaction, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at 31 December 2019 or at any time during the year.

Contracts with Controlling Shareholders

No contract of significance was entered into between the Group, or any of its subsidiaries, and any of the controlling shareholders or any of their subsidiaries during the period between the Listing Date and 31 December 2019.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2019, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

(i) Long positions in our Shares

Name of Directors	Capacity	Long position/ Short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company	Note
Mr. Tong Ying Chiu	Interest of a controlled corporation/interest of spouse	Long position	270,256,500	50.05	1
Ms. Ng Siu Kuen Sylvia	Interest of a controlled corporation/interest of spouse	Long position	270,256,500	50.05	1
Mr. Chan Kam Hon Ivan	Beneficial owner	Long position	98,613,000	18.26	2

Note:

- These Shares are held by Uni-Pro Limited, a company incorporated in the BVI and is wholly-owned by Sun Cheong Creative. Sun Cheong Creative Development Limited is a company incorporated in Hong Kong and is held as to 50% by Mr. Tong Ying Chiu and as to 50% by Ms. Ng Siu Kuen Sylvia. Mr. Tong Ying Chiu is the spouse of Ms. Ng Siu Kuen Sylvia. Both of Mr. Tong Ying Chiu and Ms. Ng Siu Kuen Sylvia have resigned as an executive director on 7 December 2019.
- Mr. Chan Kam Hon Ivan has resigned as an executive director on 10 June 2020.

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

Name of Director	Name of associated corporation	Capacity	Long position/ short position	Number of shares held in the associated corporation	Percentage of shareholding
Mr. Tong Ying Chiu	Uni-Pro Limited	Interest of a controlled corporation/interest of spouse	Long position	1 share of US\$1.00 (note)	100%
Ms. Ng Siu Kuen Sylvia	Uni-Pro Limited	Interest of a controlled corporation/interest of spouse	Long position	1 share of US\$1.00 (note)	100%
Mr. Tong Ying Chiu	Sun Cheong Creative Development Limited	Beneficial owner Interest of spouse	Long position	5,000 shares 5,000 shares	50% 50%
Ms. Ng Siu Kuen Sylvia	Sun Cheong Creative Development Limited	Beneficial owner Interest of spouse	Long position	5,000 shares 5,000 shares	50% 50%

Note:

1. The share is held by Sun Cheong Creative Development Limited, a company incorporated in Hong Kong and which is held as to 50% by Mr. Tong Ying Chiu and as to 50% by Ms. Ng Siu Kuen Sylvia. Both of Mr. Tong Ying Chiu and Ms. Ng Siu Kuen Sylvia have resigned as an executive director on 7 December 2019.

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2019.

Directors' Report

Substantial Shareholders Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2019, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Name of Directors	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company	
					Note
Uni-Pro Limited	Beneficial owner	Long position	270,256,500	50.05	1
Sun Cheong Creative Development Limited	Interest of a controlled corporation	Long position	270,256,500	50.05	2

Notes:

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2019.

Model Code for Securities Transactions by Directors

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

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

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

Purpose of the Scheme

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

- (i) motivate eligible participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

Participants of the Scheme

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

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including the Independent Non-executive Directors) of the Company or any of its subsidiaries;
- (iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to our Group.

Shares available for issuance

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

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

Maximum entitlement of each eligible participant

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

Directors' Report

Time for exercising option and duration of the Scheme

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

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

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

Payment on acceptance of the option

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

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

Basis of determining exercise price of the option

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

- (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

Non-Competition Undertakings

Each of the controlling shareholders has made an annual declaration in respect of their compliance with the terms of non-competition undertaking.

Details of the non-competition undertaking are set out in the section headed "Relationship with Controlling Shareholders" of the Company page 199 of the Prospectus (the "Prospectus").

Directors' Interests in Competing Business

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

Equity-Linked Agreements

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

Subsidiaries

Details of subsidiaries of the Company as at 31 December 2019 are set out in note 43 to the consolidated financial statements.

Borrowings

Particulars of the borrowings of the Group as at 31 December 2019 are set out in note 25 to the consolidated financial statements.

Major Customers, Subcontractors and Suppliers

During the year, the percentage of revenue attributable to the largest customer and the five largest customers of the Group accounted for approximately 41.1% and 77.4% of the Group's total revenue respectively.

During the year, the largest supplier and the five largest suppliers of the Group accounted for approximately 16.5% and 52.3% of the total cost of sales of the Group respectively.

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

Emolument Policy

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

The Company has adopted share option schemes as incentive to eligible employees, details of the schemes are set out in the section headed "Share Option Scheme".

Directors' Emoluments

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

The emoluments of the Directors and senior management of the Group are determined by the Remuneration Committee of the Company with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments during the year and up to the date of this annual report.

Directors' Report

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules for the Reporting Period and at any time before and up to the date of this report.

Audit Committee

The Audit Committee currently consists of three Independent Non-executive Directors, namely Mr. Fung Wai Hang (as chairman), Mr. Li Ka Chun and Mr. Sze Chun Wai. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Auditors

The consolidated financial statements for the year ended 31 December 2018 were audited by Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu has resigned as the auditor of the Group with effect from 12 March 2020. KTC Partners CPA Limited has been appointed as the auditor of the Group with effect from 20 May 2020 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu and to hold office until the conclusion of the forthcoming annual general meeting ("AGM").

The financial statements for the year ended 31 December 2019 have been audited by KTC Partners CPA Limited, who retire and, being eligible, offer themselves for reappointment at the forthcoming AGM of the Company.

By order of the Board

Sun Cheong Creative Development Holdings Limited
Chan Sai On Bill

Hong Kong, 30 June 2020

Independent Auditor's Report

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

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Sun Cheong Creative Development Holdings Limited (the "Company") and its subsidiaries (collective referred to as the "Group") set out on pages 51 to 125, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Bases for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

1. DE-CONSOLIDATION OF CERTAIN SUBSIDIARIES DURING THE YEAR ENDED 31 DECEMBER 2019

As disclosed in note 3 to the consolidated financial statements, the directors of the Company (the "Directors") were unable to obtain access to complete set of accounting books and records together with the supporting documents of the Group's subsidiaries in the People's Republic of China, namely 深圳新昌塑膠用品有限公司 (Shenzhen Xincang Plastic Article Co., Ltd.) and 佛山市海昌新材料科技有限公司 (Foshan Haichang New Materials Technology Co., Ltd.) (together referred to as the "De-consolidated Subsidiaries"), due to the non-cooperation of Mr. Tong Ying Chiu ("Mr. Tong"), the former ultimate controlling party and former executive director of the Company and the legal representative of the Deconsolidated Subsidiaries. The factories of the De-consolidated subsidiaries were subsequently sealed off by the Shenzhen Longgang District People's Court, on 17 January 2020.

Due to the non-cooperation of the management personnel of the De-consolidated Subsidiaries, and the sealing off of the factories of the De-consolidated subsidiaries, the Directors were unable to have access to the complete accounting books and records of the De-consolidated Subsidiaries. As a result, the Directors were of the opinion that the Company was unable to govern the financial and operating decisions of the De-consolidated Subsidiaries and the control over the De-consolidated subsidiaries was lost upon Mr. Tong's resignation as the executive director of the Company on 7 December 2019 (the "Deconsolidation Date"). In this connection, the financial results, assets and liabilities of the De-consolidated Subsidiaries have been de-consolidated from the consolidated financial statements of the Group since the Deconsolidation Date.

The de-consolidation of the De-consolidated Subsidiaries had resulted in the recognition of a net loss of approximately HK\$54,330,000 in consolidated profit or loss for the year ended 31 December 2019. As disclosed in note 3 to the consolidated financial statements, the Company included the transactions of the De-consolidated Subsidiaries for the period from 1 January 2019 to 6 December 2019 in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2019 based on the unaudited management accounts of the De-consolidated Subsidiaries.

Independent Auditor's Report

We have not been provided with sufficient information and explanations on the de-consolidation of the De-consolidated Subsidiaries and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Group had lost control over the De-consolidated Subsidiaries on the De-consolidation Date and hence as to whether it was appropriate to de-consolidate the assets and liabilities of the De-consolidated Subsidiaries and cease consolidating their results of operations in the consolidated financial statements of the Group with effect from the De-consolidation Date.

Further, due to the lack of access to accounting books and records of the De-consolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence and explanation to support the recording of the transactions and balances included in the consolidated financial statements of the Group before and up to the date of de-consolidation of the De-consolidated Subsidiaries. Hence we were unable to satisfy ourselves about the financial performance and cash flows of the De-consolidated Subsidiaries included in the consolidated statements of profit or loss and other comprehensive income and of cash flows of the Group for the years ended 31 December 2019 and 2018, the loss on de-consolidation of subsidiaries recognised in consolidated profit or loss for the year ended 31 December 2019 and the resulting movements recorded in the consolidated statement of changes in equity for the years ended 31 December 2019 and 2018. We were therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence or occurrence, valuation, ownership, classification and disclosures of the transactions undertaken by and account balances of the De-consolidated Subsidiaries included in the consolidated financial statements. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions and balances were free from material misstatements. Consequently, we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence or occurrence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and events after the reporting period relating to the Deconsolidated Subsidiaries.

Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net liabilities or assets as at 31 December 2019 and 2018 and the financial performance and cash flows of the Group for the years ended 31 December 2019 and 2018 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the De-consolidated Subsidiaries.

2. SCOPE LIMITATION — INVESTMENT IN JOINT VENTURE COMPANY

On 12 November 2019, Chase On Development Limited ("Chase On"), a wholly owned Hong Kong subsidiary of the Company under a winding-up order dated 31 March 2020 (see note 38), entered into a business cooperation agreement ("Agreement") with Bridging Wealth Capital Management Limited ("JV Partner"), an independent third party, relating to formation of a joint venture company "Chase On Plastic Houseware Limited" (formerly known as Ocean Regal Enterprises Limited) (the "JV company") to explore the market of the trading and wholesaling of variety of household products worldwide.

Pursuant to the Agreement, the Group and the JV Partner own 49% and 51% of the JV company respectively. In consideration for the 49% shareholding in the joint venture company, the Group provided business support including expertise in plastic business and transferred Chase On's certain trademarks, whose carrying amount was zero, to the JV company.

However, subsequent to the formation of the JV company, the former executive directors of the Company, Mr. Tong and his son, Mr. Tong Kam Nam Billy resigned from their directorship in the JV company on 9 December 2019 and 9 January 2020 respectively. Since their resignations, the Company was unable to obtain the financial information of the JV company. Under these circumstances, no financial information including the investment cost of the JV company has been accounted for by the Group in its consolidated financial statements for the year ended 31 December 2019.

In the absence of the financial information of and explanations in relation to the JV company, there were no alternative audit procedure that we could perform to satisfy ourselves as to the nature of the Group's interests in the JV company and whether and how the JV company should be accounted for in the consolidated financial statements of the Group. Any adjustments that might have been found to be necessary in respect of the above issues would have a significant effect on the net liabilities of the Group as at 31 December 2019, its net loss for the year then ended and the related disclosures in the consolidated financial statements.

3. AMOUNTS DUE FROM THE DE-CONSOLIDATED SUBSIDIARIES

During the year ended 31 December 2019, the Group recorded an impairment loss in respect of amounts due from the Deconsolidated Subsidiaries of approximately HK\$147,053,000 due to the circumstances described in paragraph (1) above. We were unable to obtain sufficient appropriate audit evidence regarding the validity, existence and impairment assessment of the amounts due from the De-consolidated Subsidiaries as at 31 December 2019 because: (i) there was inadequate documentary evidence available for us to verify the validity, existence and nature of the amounts due from the De-consolidated Subsidiaries; (ii) we were unable to carry out any effective confirmation procedures in relation to the amounts due from the De-consolidated Subsidiaries for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amounts due from the De-consolidated Subsidiaries were properly carried out and recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards ("HKFRSs"); and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts due from the De-consolidated Subsidiaries as at 31 December 2019 were free from material misstatement. In addition, the scope limitation explained in (1) above as to the date when the Group lost control over the De-consolidated Subsidiaries would also affect the appropriate accounting period in which the impairment loss should be recognised.

Any adjustments that might have been found necessary may have a significant consequential effect on the carrying amount of, and impairment loss on, the amounts due from the De-consolidated Subsidiaries and hence on the net liabilities of the Group as at 31 December 2019 and the loss and cash flows of the Group for the year ended 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

4. CONTINGENT LIABILITIES AND COMMITMENT

Due to the lack of access to the books and records of the De-consolidated Subsidiaries and the incomplete records of Group, we were unable to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Group were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards, including HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and HKFRS 9 "Financial Instruments". There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments were free from material misstatements. Any adjustments that might have been found necessary may have a consequential effect on the Group's net liabilities or assets as at 31 December 2019 and 2018 and consequently the financial performance and cash flows of the Group for the years ended 31 December 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

5. EVENTS AFTER THE REPORTING PERIOD

Due to the lack of access to the books and records of the De-consolidated Subsidiaries and the incomplete records of the Group, we have not been able to obtain sufficient appropriate audit evidence as to whether the events after the reporting period were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards including Hong Kong Accounting Standard 10 "Events after the Reporting Period". There were no practical alternative procedures that we could perform over the significant transactions which occurred during the period from 1 January 2020 to the date of this auditors' report. Any adjustments that might have been found necessary may have a consequential effect on the Group's net liabilities as at 31 December 2019, and consequently the financial performance and cash flows of the Group for the year ended 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

6. RELATED PARTIES TRANSACTIONS

Due to the lack of access to the books and records of the De-consolidated Subsidiaries and the incomplete records of the Group, we have not been able to obtain sufficient appropriate audit evidence as to whether the related party transactions and balances were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standard 24 "Related Party Disclosures". There were no practical alternative procedures that we could perform over the related party transactions and balances which occurred during the years ended 31 December 2019 and 2018. Any adjustments that might have been found necessary may have a consequential effect on the Group's net liabilities or assets as at 31 December 2019 and 2018 and consequently the financial performance and cash flows of the Group for the years ended 31 December 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

7. FINANCIAL GUARANTEE CONTRACT

As disclosed in notes 23 and 36 to the consolidated financial statements, a wholly owned subsidiary of the Company, has issued financial guarantees to banks in respect of banking facilities granted to companies owned by Mr. Tong of an aggregate amount of approximately HK\$4,000,000, which represented the aggregate maximum amounts that the Group could be required to pay if the guarantees were called upon in entirety. At 31 December 2019 and 2018, the amount of approximately HK\$542,000 financial guarantee obligations in the consolidated statement of financial position. We have not been provided with documentary evidence and explanations of the fair value measurement of the financial guarantee obligations as at the inception of the financial guarantees and the assessments for expected credit loss allowances as at 31 December 2019 and 2018, and we have been unable to obtain sufficient appropriate audit evidence in respect of the financial guarantee obligations. There were no other satisfactory audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balance was fairly stated as at 31 December 2019 and 2018.

Any adjustment found necessary might have a consequential significant effect on the consolidated financial performance and cash flows of the Group for the year ended 31 December 2019 and 2018 and the financial position of the Group as at 31 December 2019 and 2018.

8. OPENING BALANCES, CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2018, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. Due to the lack of access to the books and records of the De-consolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence about whether the opening balances as at 1 January 2019 contain misstatements that materially affect the current year's consolidated financial statements. There were no satisfactory audit procedures for us to ascertain the existence, accuracy, presentation and completeness of the opening balances, corresponding figures and other related disclosures (as further details explained in the above paragraphs) shown in the current year consolidated financial statements.

9. MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

The disclosures in note 1 to the consolidated financial statements indicate the Group incurred a loss of approximately HK\$297,443,000 for the year ended 31 December 2019; and had net current liabilities and net liabilities of approximately HK\$180,509,000 and HK\$116,936,000 respectively in the consolidated statement of financial position of the Group as at 31 December 2019, and have pending litigations and winding up petitions against the Company. The Group also had late payment issues with financial institutions. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of the extent of the uncertainties relating to the future working capital sufficiency of the Group, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on these consolidated financial statements on 26 March 2019.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Independent Auditor's Report

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditors' report. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

KTC Partners CPA Limited

Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph
Audit Engagement Director
Practising Certificate Number P04686

Hong Kong, 30 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year Ended 31 December 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Revenue	5	260,389	340,972
Cost of sales		(262,509)	(220,857)
Gross (loss)/profit		(2,120)	120,115
Other income	6	711	833
Other gains and losses	7	(645)	6,533
Impairment losses, net	8	(683)	2,443
Loss on De-consolidation of Subsidiaries	3	(54,330)	–
Impairment loss on amounts due from De-consolidated Subsidiaries	3	(147,053)	–
Selling expenses		(24,476)	(22,504)
Administrative expenses		(53,528)	(37,254)
Listing expenses		–	(13,436)
Other expenses	9	–	(2,330)
Finance costs	10	(15,098)	(9,724)
(Loss)/profit before tax		(297,222)	44,676
Income tax expense	11	(221)	(10,839)
(Loss)/profit for the year	12	(297,443)	33,837
Other comprehensive (loss)/income — items that will be reclassified subsequently to profit or loss:			
Exchange reserve released upon De-consolidation of Subsidiaries		(3,609)	–
Exchange differences arising on translation of foreign operations		4,160	(756)
Total comprehensive (loss)/income for the year		(296,892)	33,081
(Loss)/profit for the year attributable to:			
Owners of the Company		(297,440)	33,837
Non-controlling interests		(3)	–
(Loss)/profit for the year		(297,443)	33,837
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(296,797)	33,375
Non-controlling interests		(95)	(294)
Total comprehensive (loss)/income		(296,892)	33,081
(LOSS)/EARNINGS PER SHARE			
Basic (HK cents)	14	(55.08)	7.73

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	61,931	94,932
Rental deposits	17	–	2,311
Deposits paid for acquisition of property, plant and equipment		–	53,722
Right-of-use assets	18	5,284	–
		67,215	150,965
CURRENT ASSETS			
Inventories	19	–	29,805
Trade and other receivables	20	14,670	134,372
Restricted bank deposits	21	–	71,674
Bank balances and cash	22	328	178,139
		14,998	413,990
CURRENT LIABILITIES			
Trade and other payables	23	18,793	74,260
Contract liabilities	24	311	1,488
Tax payable		5,522	27,253
Bank and other borrowings	25	165,898	221,974
Bank overdrafts	25	2,529	5,049
Lease liabilities	26	2,454	–
Obligations under finance leases	27	–	2,487
		195,507	332,511
NET CURRENT (LIABILITIES)/ASSETS		(180,509)	81,479
TOTAL ASSETS LESS CURRENT LIABILITIES		(113,294)	232,444
NON-CURRENT LIABILITIES			
Bank and other borrowings	25	–	6,159
Lease liabilities	26	3,642	–
Obligations under finance leases	27	–	252
Deferred tax liabilities	28	–	355
		3,642	6,766
NET (LIABILITIES)/ASSETS		(116,936)	225,678
CAPITAL AND RESERVES			
Share capital	29	5,400	5,400
Reserves		(122,340)	214,957
Equity attributable to owners of the Company		(116,940)	220,357
Non-controlling interests		4	5,321
Total equity		(116,936)	225,678

The consolidated financial statements on pages 51 to 125 were approved and authorised for issue by the board of directors on 30 June 2020 and are signed on its behalf by:

Mr. Chan Sai On Bill
DIRECTOR

Mr. Ng Chun Chung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve (note b) HK\$'000	Translation reserve HK\$'000	(Accumulated losses)/	Subtotal HK\$'000	Non- controlling interests HK\$'000	
					Retained profits HK\$'000			
At 1 January 2018 (restated) (note a)	–	13,771	(15,512)	(181)	85,247	83,325	5,615	88,940
Profit for the year	–	–	–	–	33,837	33,837	–	33,837
Other comprehensive income for the year	–	–	–	(462)	–	(462)	(294)	(756)
Total comprehensive income for the year	–	–	–	(462)	33,837	33,375	(294)	33,081
Dividend recognised as distribution (note 15)	–	–	–	–	(30,000)	(30,000)	–	(30,000)
Shares issued pursuant to the capitalisation issue (note 29)	4,050	(4,050)	–	–	–	–	–	–
Issue of shares upon listing (note 29)	1,350	147,150	–	–	–	148,500	–	148,500
Transaction costs attributable to issue of shares	–	(14,843)	–	–	–	(14,843)	–	(14,843)
At 31 December 2018	5,400	142,028	(15,512)	(643)	89,084	220,357	5,321	225,678
Loss for the year	–	–	–	–	(297,440)	(297,440)	(3)	(297,443)
Exchange difference arising on translation of foreign operations	–	–	–	(3,517)	–	(3,517)	(92)	(3,609)
Release upon De-consolidation of Subsidiaries	–	–	–	4,160	–	4,160	–	4,160
Total comprehensive (loss)/income for the year	–	–	–	643	(297,440)	(296,797)	(95)	(296,892)
Capital contribution from non-controlling interest of a subsidiary	–	–	–	–	–	–	4	4
Release upon De-consolidation of Subsidiaries	–	–	–	–	–	–	(5,226)	(5,226)
Dividend recognised as distribution (note 15)	–	–	–	–	(40,500)	(40,500)	–	(40,500)
At 31 December 2019	5,400	142,028	(15,512)	–	(248,856)	(116,940)	4	(116,936)

Notes:

- Upon the adoption of Hong Kong Financial Reporting Standards ("HKFRS") 9 "Financial Instruments" on 1 January 2018, the accumulated impact of HK\$2,623,000 was recorded as an adjustment to the retained profits as at 1 January 2018, which represents impairment loss allowance.
- Capital reserve represents the amounts arising on the Group reorganisation underwent prior to the listing of the Company's shares on the Main Board of the Stock Exchange in 2018. Details were set out in the Company's prospectus dated 21 September 2018.

Consolidated Statement of Cash Flows

For the year Ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
OPERATING ACTIVITIES		
(Loss)/profit before tax	(297,222)	44,676
Adjustments for:		
Gain on release of financial guarantee contracts	–	(22)
Depreciation of property, plant and equipment	24,469	14,186
Depreciation of right-of-use asset	2,134	–
Loss on De-consolidation of Subsidiaries	54,330	–
Impairment losses on amounts due from De-consolidated Subsidiaries	147,053	–
Written off of property, plant and equipment	1,234	–
Interest income	(168)	(115)
Finance costs	15,098	9,724
Impairment losses, net (note 8)	683	(2,443)
Operating cash flows before movements in working capital	(52,389)	66,006
(Increase)/decrease in inventories	(189)	(11,528)
Increase in trade and other receivables	(37,078)	(85,666)
Increase in trade and other payables	142,765	16,520
Decrease in contract liabilities	(1,147)	(115)
Cash generated from/(used in) operations	51,962	(14,783)
Income Tax paid	(12,376)	(13,129)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	39,586	(27,912)
INVESTING ACTIVITIES		
Repayment from related companies	–	24,295
Advance to related companies	–	(61,983)
Placement of restricted bank deposits	–	(19,683)
Withdrawal of restricted bank deposits	71,674	40,271
Proceeds from disposal of right-of-use assets	282	–
Deposits paid for acquisition of property, plant and equipment	–	(52,725)
Purchase of property, plant and equipment	(160,953)	(51,613)
Interest received	168	115
Repayment from a director	–	164,529
Advance to a director	–	(125,967)
NET CASH USED IN INVESTING ACTIVITIES	(88,829)	(82,761)

Consolidated Statement of Cash Flows

For the year Ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
FINANCING ACTIVITIES		
New bank and other borrowings raised	–	404,577
Repayment of bank and other borrowings	(58,827)	(355,654)
Interest paid	(15,098)	(9,724)
Repayment of lease liabilities/obligations under finance leases	(5,434)	(1,880)
Dividend paid	(40,500)	(9,981)
Transaction costs paid for issuance of shares	(2,475)	(14,843)
Proceeds from issue of shares upon listing	–	148,500
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(122,334)	160,995
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(171,577)	50,322
CASH AND CASH EQUIVALENTS AT 1 JANUARY	173,090	122,768
Effect of foreign exchanges rate changes	(3,714)	–
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	(2,201)	173,090
Represented by		
Bank balances and cash	328	178,139
Bank overdrafts	(2,529)	(5,049)
	(2,201)	173,090

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

1. General Information and Basis of Preparation of the Consolidated Financial Statements

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 March 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Stock Exchange on 4 October 2018. In the opinion of the directors of the Company, as at 31 December 2019, its parent is Uni-Pro Limited ("Uni-Pro") (incorporated in the British Virgin Islands) and its ultimate parent is Sun Cheong Creative Development Limited (incorporated in Hong Kong). Its ultimate controlling party is Mr. Tong Ying Chiu ("Mr. Tong") and Ms. Ng Siu Kuen Sylvia ("Ms. Ng"), spouse of Mr. Tong (collectively referred to as the "Controlling Shareholders"). Mr. Tong is the former Chairman and one of the former executive directors of the Company while Ms. Ng is also a former executive director of the Company.

The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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

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

The Group incurred a loss of approximately HK\$297,443,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities and net liabilities of approximately HK\$180,509,000 and HK\$116,936,000 respectively, and pending litigations and winding up petitions against the Company. The Group also had late payment issues with financial institutions. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

1. General Information and Basis of Preparation of the Consolidated Financial Statements (Continued)

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

- (1) The Group is actively negotiating with financial institutions to remedy the late payment issue and to restructure the payment terms for the remaining amount of the loans;
- (2) The Group will use its best endeavors to introduce strategic investors to the Company and seeking their operational and financial support;
- (3) On 12 June 2020, the Company entered into a memorandum of understanding ("MOU") with an investor for the investment funding for the provision of financial support to the Group, and pursuant to the MOU, a loan agreement for a term loan facilities of HK\$10 million granted to the Company was made with the investor's related company on the same day.
- (4) The Company will actively engage in dialogues with its banks and creditors with a view to reaching an amicable settlement of overdue debts;
- (5) the Group is expected to generate positive cash flows from its future operations;
- (6) The Group will identify new viable business opportunities with a view to diversifying the existing business portfolio of the Group and income streams, thereby improving the profitability of the Group, with a view to facilitating a settlement with the petitioners; and
- (7) the Group continues to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its profitability and to improve the cash flows from its operations in future.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the above measures to be undertaken by the Group. The directors of the Group are of the opinion that, taking into account the above measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2019. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

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

The Group has applied, for the first time, the following new and amendments to HKFRSs and the interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and the interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates 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.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises and directors' quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 6.2%.

	Notes	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018		29,322
Lease liabilities discounted at relevant incremental borrowing rates		28,082
Less: Recognition exemption — short-term leases		(3,721)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	(a)	24,361
Add: Obligations under finance leases recognised at 31 December 2018		2,739
Accrued lease payments included in trade and other payables recognised at 31 December 2018	(b)	1,519
Lease liabilities as at 1 January 2019		28,619
Analysed as		
Current		13,472
Non-current		15,147
		28,619

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		24,361
Amounts included in property, plant and equipment under HKAS 17		
— Assets previously under finance leases	(a)	5,365
		29,726
By class:		
Leased properties		24,361
Plant and machinery		4,730
Motor vehicles		635
		29,726

(a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK\$5,635,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$2,487,000 and HK\$252,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(b) These relate to accrued lease payments included in trade and other payables at 31 December 2018. The carrying amount of the lease incentive liabilities as at 1 January 2019 was adjusted to lease liabilities at transition.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
	Notes			
Non-current Assets				
Property, plant and equipment	(a)	94,932	(5,365)	89,567
Right-of-use assets		–	29,726	29,726
Current Liabilities				
Trade and other payables	(b)	61,152	(1,519)	59,633
Lease liabilities		–	13,472	13,472
Obligations under finance leases	(a)	2,487	(2,487)	–
Non-current liabilities				
Lease liabilities		–	15,147	15,147
Obligations under finance leases	(a)	252	(252)	–

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

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

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

3. Significant Accounting Policies

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKFRS 16 Lease (since 1 January 2019) or HKAS 17 *Leases* (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

3. Significant Accounting Policies (Continued)

BASIS OF CONSOLIDATION (Continued)

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

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

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

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

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

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

DE-CONSOLIDATION OF CERTAIN SUBSIDIARIES OF THE GROUP

Following the substantial change in the composition of the Board effective from 7 December 2019, despite repeated requests, the Directors has been unable to contact the legal representative and management personnel of the Group's operating subsidiaries in the PRC, namely 深圳新昌塑膠用品有限公司 (Shenzhen Xincang Plastic Article Co., Ltd.) and 佛山市海昌新材料科技有限公司 (Foshan Haichang New Materials Technology Co., Ltd.) (together referred to as the "De-consolidated Subsidiaries"). Due to the claims (including wages) made by several creditors of the De-consolidated Subsidiaries, the factories of the De-consolidated Subsidiaries were sealed off by the Shenzhen Longgang District People's Court (深圳市龍崗區人民法院) subsequent to the end of the reporting period. During the preparation of the consolidated financial statements of the Group for the year ended 31 December 2019, the Directors had been unable to have access to and obtain the complete set of books and records together with the supporting documents of the De-consolidated Subsidiaries for the period from 1 January 2019 to 31 December 2019 due to the inability to contact the management and accounting personnel of the De-consolidated Subsidiaries.

The Group had consolidated the assets and liabilities of the De-consolidated Subsidiaries up to 7 December 2019 and their financial performance for the period from 1 January 2019 to 6 December 2019 based on unaudited management information received. However, in the absence of access to complete set of books and records and the non-cooperation of the management and accounting personnel of the de-consolidated Subsidiaries, the Directors considered that the Group had lost control over the De-consolidated Subsidiaries and had de-consolidated their financial performance, assets and liabilities from the consolidated financial statements of the Group on 7 December 2019 accordingly.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

3. Significant Accounting Policies (Continued)

DE-CONSOLIDATION OF CERTAIN SUBSIDIARIES OF THE GROUP (Continued)

The de-consolidation of the De-consolidated Subsidiaries had resulted in a net loss on De-consolidation of subsidiaries of approximately HK\$54,330,000 for the year ended 31 December 2019. To the best of the knowledge and belief of the Board, the carrying values of the amounts due from the De-consolidated Subsidiaries were not recoverable and, accordingly, an impairment loss of approximately HK\$147,053,000 had been recognised in consolidated profit or loss upon the de-consolidation.

The following is the financial information, before intra-group balances and transactions elimination, of the De-consolidated Subsidiaries.

Consolidated financial statements of financial position of the De-consolidated Subsidiaries as at the date of De-consolidation

	2019 HK\$'000
(a) Details of the net assets of the De-consolidated Subsidiaries as at 7 December 2019 are set out below:	
Property, plant and equipment	173,039
Deposits paid for acquisition of property, plant and equipment	42,102
Right-of-use assets	27,165
Inventories	29,474
Other receivables, deposits and prepayments	12,308
Lease liabilities	(23,093)
Trade and other payables	(46,409)
Tax payables	(8,455)
Bank and other borrowings	(3,355)
Deferred tax liabilities	(327)
Amounts due to the Group	(147,053)
Net assets disposed of	55,396
Loss on De-consolidation:	
Net assets disposed of	(55,396)
Non-controlling interests	5,226
Release of translation reserve upon De-consolidation	(4,160)
Loss on De-consolidation	(54,330)
(b) Impairment of amounts due from De-consolidated Subsidiaries:	
Amounts due from De-consolidated Subsidiaries as at 7 December 2019	147,053

During the year ended 31 December 2019, impairment loss of approximately HK\$147,053,000 has been recognised since the amount due from De-consolidated Subsidiaries are considered to be highly unrecoverable with reference to the estimation of the cash flows expected to be generated from De-consolidated Subsidiaries.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

3. Significant Accounting Policies (Continued)

DE-CONSOLIDATION OF CERTAIN SUBSIDIARIES OF THE GROUP (Continued)

Transactions of the De-consolidated Subsidiaries included in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
Revenue		
— from the Remaining Group	194,885	257,207
Cost of sales		
— to the Remaining Group	136,306	199,804
— to third parties	140,527	82,766
Gross loss	(81,948)	(25,363)
Other income		
— from the Remaining Group	95,688	53,824
— from third parties	388	115
Other gains and losses	(83)	1,535
Selling expenses	(9,458)	(5,435)
Administrative expenses	(10,532)	(7,992)
Finance costs	(1,616)	(1,041)
(Loss)/profit before tax	(7,561)	15,643
Income tax expense	(249)	(6,995)
(Loss)/profit of the year	(7,810)	8,648

INTEREST IN A SUBSIDIARY

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

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

3. Significant Accounting Policies (Continued)

REVENUE RECOGNITION

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

3. Significant Accounting Policies (Continued)

LEASES

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(b) The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

(i) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

(ii) Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The principal annual rates are as follows:

Leased properties	2 to 5 years
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The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

3. Significant Accounting Policies (Continued)

LEASES (Continued)

(b) *The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)* (Continued)

(iii) Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(iv) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

3. Significant Accounting Policies (Continued)

LEASES (Continued)

(b) *The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)* (Continued)

(v) Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

(c) *The Group as a lessee (prior to 1 January 2019)*

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

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

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

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

3. Significant Accounting Policies (Continued)

FOREIGN CURRENCIES

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

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

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

RESEARCH AND DEVELOPMENT EXPENSES

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

BORROWING COSTS

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

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

GOVERNMENT GRANTS

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

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

RETIREMENT BENEFIT COSTS

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

3. Significant Accounting Policies (Continued)

TAXATION

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

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

Current and deferred tax are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

3. Significant Accounting Policies (Continued)

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

INVENTORIES

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

PROVISIONS

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

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

IMPAIRMENT LOSSES ON TANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. Significant Accounting Policies (Continued)

IMPAIRMENT LOSSES ON TANGIBLE ASSETS AND RIGHT-OF-USE ASSETS (Continued)

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

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

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

FINANCIAL INSTRUMENTS

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

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

Financial assets

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

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

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Classification and measurement of financial assets

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

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

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

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

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

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

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

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets

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

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

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

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

Significant increase in credit risk

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

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

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

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

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

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

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

Definition of default

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

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

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

Credit-impaired financial assets

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

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

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Write-off policy

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

Measurement and recognition of ECL

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

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

3. Significant Accounting Policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Financial liabilities subsequently measured at amortised cost

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

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

Financial guarantee contract

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

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

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

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

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

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

Derecognition of financial liabilities

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

3. Significant Accounting Policies (Continued)

RELATED PARTIES

A related party is a person or entity that is related to the Group.

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

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

CRITICAL JUDGEMENTS APPLYING ACCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern and liquidity

As explained in note 1 to the consolidated financial statements, the financial position of the Group indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgement by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in note 1 to the consolidated financial statements.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Valuation of inventories

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

As at 31 December 2019, the carrying amount of inventories amounted to HK\$Nil (2018: HK\$29,805,000). No impairment allowance was made for both years ended 31 December 2019 and 2018.

4. Critical accounting judgements and Key Sources of Estimation Uncertainty (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated useful lives of property, plant and equipment

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

As at 31 December 2019, the carrying amount of property, plant and equipment is HK\$61,931,000 (2018: HK\$94,932,000).

Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, which in the case of value in use, is the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

An impairment loss on property, plant and equipment and right-of-use assets of approximately HK\$116,000 (2018: Nil) and HK\$657,000 (2018: Nil) respectively were recognised during the year ended 31 December 2019.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on aging of trade receivables groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 20 and 35.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

4. Critical accounting judgements and Key Sources of Estimation Uncertainty (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Fair value of the financial guarantee contracts

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

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance determined based on the measurement of ECL and the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

As at 31 December 2019, the carrying amount of financial guarantee obligations amounted to HK\$542,000 (2018: HK\$542,000).

5. Revenue and Segment Information

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

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

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

TYPES OF GOODS OR SERVICE

	2019 HK\$'000	2018 HK\$'000
Sale of plastic household products	260,389	340,972

All of the revenue of the Group is recognised at a point in time.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

5. Revenue and Segment Information (Continued)

GEOGRAPHICAL INFORMATION

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

	2019 HK\$'000	2018 HK\$'000
Australia	180,338	253,840
Hong Kong	32,560	22,618
UK	4,492	7,782
USA	2,791	10,365
New Zealand	12,948	15,894
Germany	10,392	2,501
Others	16,868	27,972
	260,389	340,972

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2019 HK\$'000	2018 HK\$'000
Customer A	108,126	162,819
Customer B	53,578	79,991

6. Other Income

	2019 HK\$'000	2018 HK\$'000
Bank interest income	168	115
Others	543	718
	711	833

7. Other Gains and Losses

	2019 HK\$'000	2018 HK\$'000
Net foreign exchange gain	614	6,706
Gain on release of financial guarantee contracts	–	22
Written off of property, plant and equipment	(1,234)	–
Others	(25)	(195)
	(645)	6,533

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

8. Impairment Losses, Net

	2019 HK\$'000	2018 HK\$'000
Property, plant and equipment	116	–
Right-of-use assets	657	–
Trade and other receivables	(90)	114
Amount due from a director	–	(23)
Restricted bank deposits	–	(973)
Bank balances and cash	–	(1,561)
	683	(2,443)

Details of impairment assessment are set out in note 35.

9. Other Expenses

	2019 HK\$'000	2018 HK\$'000
Surcharge levied on tax payment by instalments	–	2,330
	–	2,330

10. Finance Costs

	2019 HK\$'000	2018 HK\$'000
Interest expenses on:		
— bank and other borrowings and overdrafts	14,762	9,506
— interest on lease liabilities	336	–
— finance leases	–	218
	15,098	9,724

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

11. Income Tax Expense

	2019 HK\$'000	2018 HK\$'000
Current tax:		
— Hong Kong Profits Tax	—	7,133
— PRC EIT	251	3,487
Underprovision in prior years:		
— Hong Kong Profits Tax	—	—
	251	10,620
Deferred tax (note 28)	(30)	219
	221	10,839

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

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

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

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

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit before tax	(297,222)	44,676
Tax at Hong Kong Profits Tax rate of 16.5% (note)	(49,042)	7,371
Tax effect of expenses not deductible for tax purposes	53,660	2,710
Tax effect of income not taxable for tax purposes	(3,818)	(466)
Effect of different tax rates/tax bases of subsidiaries operating in another jurisdiction	(550)	1,330
Others	(29)	(106)
Income tax expense for the year	221	10,839

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

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

12. (Loss)/Profit for the Year

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit for the year has been arrived at after charging:		
Directors' remuneration:		
— Fees	420	180
— Other emoluments, salaries and other benefits	11,099	2,484
— Retirement benefit scheme contributions	54	72
	11,573	2,736
Other staff salaries and allowances	42,626	43,395
Retirement benefit scheme contributions, excluding those of directors	3,537	4,406
Total employee benefits expenses	57,736	50,537
Auditor's remuneration		
— Current year	1,500	1,900
— Under-provision in prior years	1,923	—
Cost of inventories recognised as an expense	262,509	220,857
Research and development expenses	—	1,459
Depreciation of property, plant and equipment	24,469	14,186
Depreciation of right-of-use assets	2,134	—
Donations	—	121

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

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

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

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

For the year ended 31 December 2019

Name of directors	Fee	Salaries and other allowances	Retirement benefit scheme contributions	Other benefits (note iii)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:					
Mr. Tong (resigned on 6 December 2019)	-	2,840	14	882	3,736
Ms. Ng (resigned on 6 December 2019)	-	2,842	14	-	2,856
Mr. Tong Bak Nam Billy (removed on 27 May 2020 and resigned on 2 June 2020) (note i)	-	3,015	13	321	3,349
Mr. Chan Kam Hon Ivan (resigned on 10 June 2020)	-	987	13	212	1,212
Mr. Un Ga Wei (appointed on 6 December 2019 and resigned on 10 June 2020)	-	-	-	-	-
Ms. Chan Jiselle Joey (appointed on 6 December 2019 and resigned on 10 June 2020)	-	-	-	-	-
	-	9,684	54	1,415	11,153
Independent non-executive directors:					
Mr. Yuen Chi Ping (resigned on 29 August 2019) (note ii)	140	-	-	-	140
Mr. Leung Leslie Yau Chak (resigned on 6 December 2019) (note ii)	140	-	-	-	140
Mr. Cheung Ting Kin (resigned on 7 February 2020) (note ii)	140	-	-	-	140
Ms. Hui Chi Yan Amy (appointed on 6 December 2019 and resigned on 10 June 2020) (note ii)	-	-	-	-	-
Mr. Ip Hon Wah (appointed on 21 October 2019 and resigned on 6 December 2019)	-	-	-	-	-
	420	-	-	-	420
	420	9,684	54	1,415	11,573

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

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

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

For the year ended 31 December 2018

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

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

Notes:

- (i) Being the chief executive of the Company, son of Mr. Tong and Ms. Ng.
- (ii) Being appointed as an independent non-executive director of the Company on 16 August 2018.
- (iii) Other benefits were the directors' quarters rental and relating expense.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

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

(b) EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the year include four (2018: two) directors. The emoluments for the year of the remaining one (2018: three) individual, are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other allowances	1,132	2,575
Retirement benefit scheme contributions	14	49
	1,146	2,624

	2019 No. of employees	2018 No. of employees
Nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$1,500,000	1	1
	1	3

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

14. (Loss)/Earnings Per Share

The calculation of the basic earnings per share during the year is based on the (loss)/earnings attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year of 540,000,000 (2018: 437,918,000).

No diluted (loss)/earnings per share is presented for both 2019 and 2018 as the Company did not have any potential ordinary share in issue during the years.

15. Dividends

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

During the year ended 31 December 2019, a final dividend and special dividend, in respect of the financial year ended 31 December 2018 of HK4.0 cents and HK3.5 cents per ordinary share respectively, with an aggregate amount of HK\$40,500,000 was declared and paid to the shareholders of the Company. No dividend was proposed or declared in respect of the financial year ended 31 December 2019, nor has any dividend been declared or proposed since the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

16. Property, Plant and Equipment

	Moulds HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
COST						
At 1 January 2018	67,591	36,034	1,684	4,477	2,420	112,206
Additions	38,657	17,983	44	332	–	57,016
Disposals	–	(5,839)	(160)	–	–	(5,999)
At 31 December 2018	106,248	48,178	1,568	4,809	2,420	163,223
Adoption of HKFRS 16	–	(5,108)	–	(3,045)	–	(8,153)
At 1 January 2019, as restated	106,248	43,070	1,568	1,764	2,420	155,070
Addition	120,907	52,646	86	336	–	173,975
Written off	–	–	–	–	(2,420)	(2,420)
De-consolidation of Subsidiaries	(169,611)	(86,411)	(1,091)	(1,057)	–	(258,170)
Exchange differences	(2,867)	(1,333)	(21)	(16)	–	(4,237)
At 31 December 2019	54,677	7,972	542	1,027	–	64,218
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2018	35,058	20,472	1,106	2,766	702	60,104
Provided for the year	8,988	3,754	337	865	242	14,186
Eliminated on disposal	–	(5,839)	(160)	–	–	(5,999)
At 31 December 2018	44,046	18,387	1,283	3,631	944	68,291
Adoption of HKFRS 16	–	(378)	–	(2,410)	–	(2,788)
At 1 January 2019, as restated	44,046	18,009	1,283	1,221	944	65,503
Provided for the year	17,434	6,298	222	273	242	24,469
Impairment	–	–	18	98	–	116
Eliminated on written off	–	–	–	–	(1,186)	(1,186)
Eliminated on						
De-consolidation of Subsidiaries	(59,780)	(23,832)	(965)	(554)	–	(85,131)
Exchange differences	(1,048)	(409)	(16)	(11)	–	(1,484)
At 31 December 2019	652	66	542	1,027	–	2,287
CARRYING VALUE						
At 31 December 2019	54,025	7,906	–	–	–	61,931
At 31 December 2018	62,202	29,791	285	1,178	1,476	94,932

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

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

At 31 December 2018, the net book values of plant and machinery and motor vehicles include an aggregate amount of HK\$5,635,000 in respect of assets held under finance leases.

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For the year Ended 31 December 2019

17. Rental Deposits

At 31 December 2018, the balances represent rental deposits placed by the Group in connection with its rented premises. The relevant leases will expire after one year from the end of the reporting period. Therefore, the balances were classified as non-current.

18. Right-of-use Assets

	Leased properties HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST				
At 31 December 2018	–	–	–	–
Adoption of HKFRS 16	24,361	5,108	3,045	32,514
At 1 January 2019, as restated	24,361	5,108	3,045	32,514
Additions	5,765	–	606	6,371
Disposals	–	–	(2,325)	(2,325)
Eliminated on Deconsolidation of subsidiaries	(23,093)	(4,934)	–	(28,027)
Exchange different	(409)	(174)	–	(583)
At 31 December 2019	6,624	–	1,326	7,950
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 31 December 2018	–	–	–	–
Adoption of HKFRS 16	–	378	2,410	2,788
At 1 January 2019, as restated	–	378	2,410	2,788
Provided for the year	1,168	492	474	2,134
Eliminated on disposals	–	–	(2,043)	(2,043)
Impairment	172	–	485	657
Eliminated on Deconsolidation of subsidiaries	–	(862)	–	(862)
Exchange different	–	(8)	–	(8)
At 31 December 2019	1,340	–	1,326	2,666
CARRYING VALUES				
At 31 December 2019	5,284	–	–	5,284
At 1 January 2019	24,361	4,730	635	29,726
Payment of lease liabilities	1,308	–	593	1,901
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	684	–	–	684

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

19. Inventories

	2019 HK\$'000	2018 HK\$'000
Raw materials	–	9,423
Work in progress	–	12,627
Finished goods	–	7,755
	–	29,805

20. Trade and Other Receivables

	2019 HK\$'000	2018 HK\$'000
Trade receivables — goods	14,760	30,872
Prepayments to suppliers	–	99,482
Other tax recoverable	–	2,798
Other receivables	–	1,400
	14,760	134,552
Less: Impairment loss allowance	(90)	(180)
	14,670	134,372

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

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

	2019 HK\$'000	2018 HK\$'000
Trade receivables		
1–30 days	5,875	21,462
31–60 days	8,885	8,463
61–90 days	–	523
91–180 days	–	269
181–365 days	–	155
	14,760	30,872

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20. Trade and Other Receivables (Continued)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. All of the trade receivables that are neither past due nor impaired have no history of default on repayments. The Directors consider that these trade receivables are of good quality given the continuous settlement from customers throughout the year. As at 31 December 2019, receivables of approximately HK\$90,000 (2018: HK\$180,000) was impaired, of which impairment loss allowance of approximately HK\$90,000 (2018: HK\$114,000) was credited to profit or loss for the year ended 31 December 2019.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$nil (2018: HK\$2,916,000) which are past due as at the reporting date. Out of the past due balances, HK\$nil (2018: HK\$104,000) has been past due over 90 days and is not considered as in default given the continuous settlement from customers throughout the year. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 35.

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

	2019 HK\$'000	2018 HK\$'000
HK\$	–	1,860

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For the year Ended 31 December 2019

21. Restricted Bank Deposits

Restricted bank deposits, include cash deposits in current account and saving deposits, represents deposits pledged to banks for banking facilities granted to the Group and related companies. As at 31 December 2019, restricted deposits amounting to HK\$nil (2018: HK\$30,000,000) were pledged to banks for banking facilities granted to the related companies as detailed in notes 23, 32 and 36. No restricted bank deposits as at 31 December 2018 were considered by management as credit impaired, and reversal of impairment loss allowance of HK\$973,000 was recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018. As at 1 January 2018, the amount of HK\$973,000 was recorded as an adjustment to the retained profits.

As at 31 December 2018, restricted bank deposits carry interest at market rates which range from 0.02% to 2.1% per annum.

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

	2019 HK\$'000	2018 HK\$'000
HK\$	–	71,560
RMB	–	114
	–	71,674

22. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. As at 31 December 2019 and 2018, no bank balances were considered by management as credit impaired. During the year ended 31 December 2018, reversal of impairment loss allowance of HK\$1,561,000 was recorded in the consolidated statement of profit or loss and other comprehensive income.

Bank balances carry interest at market rates which range from 0.00% to 0.01% (2018: 0.00% to 0.35%).

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

	2019 HK\$'000	2018 HK\$'000
HK\$	107	175,401
RMB	–	364
	107	175,765

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23. Trade and Other Payables

	2019 HK\$'000	2018 HK\$'000
Trade payables	–	42,047
Payroll payable	2,917	3,546
Interest payable	849	–
Surcharge levied on tax payment by instalments	–	2,701
Financial guarantee obligations (Note)	542	542
Accrued issue costs/listing expenses	–	9,901
Other accrued expenses	10,011	3,210
Other payables	4,474	12,313
	18,793	74,260

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

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

	2019 HK\$'000	2018 HK\$'000
Trade payables		
1–30 days	–	10,726
31–60 days	–	8,680
61–90 days	–	3,445
91–180 days	–	10,759
181–365 days	–	7,405
Over 1 year	–	1,032
	–	42,047

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

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

	2019 HK\$'000	2018 HK\$'000
HK\$	–	3,680
RMB	–	31,469
	–	35,149

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24. Contract Liabilities

Contract liabilities represents advance payments from customers. During the year ended 31 December 2019, the amount of HK\$311,000 (2018: HK\$1,603,000) that represented the entire contract liability balances at the beginning of the respective year, was recognised as revenue. Based on the historical pattern, the Directors are of the opinion that the income from sale of plastic household products is for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

The amounts of HK\$1,177,000,000 included in contract liabilities as at 31 December 2018 has been recognised as revenue during the year ended 31 December 2019.

During the year ended 31 December 2019, the Group does not allow refund of the advance payments to the customers after the commencement of production of plastic household products to them. Based on the historical pattern, the Group does not recognise any refund liability as the Directors are of the opinion the amount involved is insignificant.

25. Bank and Other Borrowings and Bank Overdrafts

	2019 HK\$'000	2018 HK\$'000
Bank and other loans	165,898	228,133
Bank overdrafts	2,529	5,049
	168,427	233,182
Analysed as:		
Secured	168,427	227,112
Unsecured	–	6,070
	168,427	233,182
The carrying amounts of the above bank and other borrowings and bank overdrafts are repayable*:		
– within one year	168,427	227,023
– within a period of more than one year but not exceeding two years	–	4,370
– within a period of more than two years but not exceeding five years	–	1,789
	168,427	233,182
Less: Amounts due within one year shown under current liabilities	(168,427)	(227,023)
Amounts shown under non-current liabilities	–	6,159

* The amounts due as at 31 December 2018 are based on scheduled repayment dates set out in the loan agreements.

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

	2019 HK\$'000	2018 HK\$'000
Effective interest rates:		
Fixed-rate borrowings	3.38% to 9.16%	4.37% to 15.55%
Variable-rate borrowings	4.13% to 6.3%	3.63% to 6.14%
Variable-rate bank overdrafts	3.25% to 5.18%	3.63%

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

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

	2019 HK\$'000	2018 HK\$'000
HK\$	30,054	76,522
RMB	–	–
	30,054	76,522

The Group's bank and other borrowings and bank overdrafts as at 31 December 2019 and 2018 are secured and/or guaranteed by the following:

- (i) personal guarantees from certain former directors of the Company and/or their family members;
- (ii) corporate guarantees from the related companies which are controlled by the former Directors;
- (iii) corporate guarantees from certain subsidiaries of the Company; and
- (iv) restricted bank deposits as disclosed in note 21.

As at 31 December 2019, the bank and other borrowings of approximately HK\$123,346,000 were overdue and became immediately repayable. Some lenders have taken legal action against the Group to demand immediate repayment and filed winding-up petitions against the Group as disclosed in note 37 and 38. The Group is in the process of negotiations with the banks on restructuring the payment terms and renewal of these bank loans and overdrafts.

26. Lease Liabilities

	2019 HK\$'000
Lease liabilities payable:	
Within one year	2,454
Within a period of more than one year but not more than two years	1,957
Within a period of more than two years but not more than five years	1,685
	6,096
Less: Amount due for settlement with 12 months shown under current liabilities	(2,454)
Amount due for settlement after 12 months shown under non-current liabilities	3,642

The Group has breached certain financial covenants in respect of secured finance lease payment of approximately HK\$609,000 with maturity of less than one year. The Group is in the process of negotiation with the financial institutions on the restructuring of the payment terms of this amount.

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For the year Ended 31 December 2019

27. Obligations under Finance Leases

	2018 HK\$'000
Analysed for reporting purposes as:	
Current liabilities	2,487
Non-current liabilities	252
	<u>2,739</u>

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

	Minimum lease payments 2018 HK\$'000	Present value of minimum lease payments 2018 HK\$'000
Within one year	2,657	2,487
Within a period of more than one year but not more than two years	267	252
Within a period of more than two years but not more than five years	–	–
	<u>2,924</u>	<u>2,739</u>
Less: Future finance charges	(185)	N/A
Present value of lease obligations	<u>2,739</u>	<u>2,739</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)		(2,487)
Amount due for settlement after 12 months		<u>252</u>

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

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28. Deferred Taxation

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

	2019 HK\$'000	2018 HK\$'000
Deferred tax liabilities	–	(355)

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

	Unrealised profit or loss HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1 January 2018	95	(231)	(136)
(Charge)/credit to profit or loss	(420)	201	(219)
At 31 December 2018	(325)	(30)	(355)
Credit to profit or loss	325	30	355
At 31 December 2019	–	–	–

As at 31 December 2019, the aggregate amount of temporary differences associated with undistributed earnings of a PRC subsidiary for which deferred tax liabilities have not been recognised was HK\$nil (2018: HK\$42,544,000).

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29. Share Capital

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

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2018	38,000,000	380
Increase during the year (Note i)	1,962,000,000	19,620
At 31 December 2018, 1 January 2019 and 31 December 2019	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2018	10,000	—*
Shares issued pursuant to the capitalisation issue (Note ii)	404,990,000	4,050
Issue of shares upon listing (Note iii)	135,000,000	1,350
At 31 December 2018, 1 January 2019 and 31 December 2019	540,000,000	5,400
		HK\$'000
Shown in the consolidated statement of financial position		
At 31 December 2019		5,400
At 31 December 2018		5,400

* Balance is below HK\$1,000.

Notes:

- (i) Pursuant to the written resolution passed by the shareholders of the Company on 16 August 2018, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each by the creation of an additional 1,962,000,000 shares of HK\$0.01 each, ranking *pari passu* with the existing then shares in all respects.
- (ii) Pursuant to the written resolution passed by the shareholders of the Company on 16 August 2018, the Directors were authorised to capitalise an amount of HK\$4,049,900 standing to the credit of the share premium account of the Company and to appropriate such amount as capital to pay up in full at par 404,990,000 shares for allotment and issue to the shareholders.
- (iii) On 4 October 2018, the Company issued 135,000,000 ordinary shares of HK\$0.01 each pursuant to the listing at the price of HK\$1.1 per ordinary share.

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30. Operating Lease Commitments

The Group as lessee

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

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK\$'000
Within one year	12,405
In the second to fifth year inclusive	16,917
	29,322

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

Certain office premises were leased from related parties of the Group as detailed in note 32.

31. Retirement Benefit Schemes

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

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

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

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the year, the total amounts contributed by the Group to the schemes and cost charged to the profit or loss represents contributions paid/payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contribution expense recognised by the Group amounted to HK\$3,591,000 (2018: HK\$4,478,000) during the year ended 31 December 2019.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

32. Related Party Disclosures

(a) RELATED PARTY TRANSACTIONS

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

Related party	Nature of transactions	2019 HK\$'000	2018 HK\$'000
Hilston Development Limited	Rental expenses	546	546
Ms. Ng	Rental expenses	162	162

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

During the years ended 31 December 2019 and 2018, the Group provided certain financial guarantees to its related companies as detailed in notes 23 and 36. In addition, the Group pledged certain deposits for banking facilities granted to related companies as detailed in note 21.

During the years ended 31 December 2019 and 2018, the Group's bank and other borrowings and bank overdrafts are secured and/or guaranteed by certain related parties and details are disclosed in note 25.

(b) COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	2019 HK\$'000	2018 HK\$'000
Salaries and other allowances	11,236	4,833
Retirement benefit scheme contributions	68	121
Other benefit	1,415	406
Total	12,719	5,360

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

33. Capital Risk Management

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

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

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through the payments of dividends, new shares issue as well as issue of new debts and redemption of existing debts.

34. Share Option

Pursuant to a resolution passed on 16 August 2018 by the shareholders of the Company, a share option scheme (the "Share Option Scheme") was adopted.

The purpose of the Share Option Scheme is to provide incentives or rewards to eligible persons for their contribution or potential contribution to the Group.

The board of directors of the Company may, at its discretion, offer to grant an option to subscribe for such number of new shares as the board of directors of the Company may determine at an exercise price at a price which shall be at least the highest of: (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Share Option Scheme will remain in force for a period of ten years commencing on the 16 August 2018 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

An offer for the grant of options must be deemed to have been granted and accepted when the duplicate offer document constituting acceptances of the options duly signed, together with a remittance or payment to the Company. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

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34. Share Option (Continued)

Save as determined by the board of directors and provided in the offer of the grant of the relevant options, there is no minimum period for which an option must be held before it can be exercised.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme established by the Company, if any, is 54,000,000, representing 10% of the issued share capital of the Company upon listing. The total maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme, if any, shall not exceed 30% of the issued share capital of the Company from time to time.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

35. Financial Instruments

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2019 HK\$'000	2018 HK\$'000
Financial assets		
Financial assets at amortised cost	14,998	281,905
Financial liabilities		
Financial guarantee obligations	542	542
Financial liabilities at amortised cost	172,901	287,542
Lease liabilities/obligations under finance leases	6,096	2,739

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables, bank and other borrowings, bank overdrafts, financial guarantee obligations, lease liabilities and obligations under finance leases.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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35. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risks

(i) Currency risk

The functional currency of most of the entities comprising the Group is US\$ and one of the subsidiaries is with RMB as its functional currency.

- (a) The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, restricted bank deposits, trade and other receivables, trade and other payables, bank and other borrowings and obligations under finance leases that are denominated in RMB and HK\$. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	2019 HK\$'000	2018 HK\$'000
Monetary assets		
RMB	–	1,829
HK\$	107	248,869
Monetary liabilities		
RMB	4,474	46,436
HK\$	36,702	80,814

The Group also exposes to foreign currency risk relating to inter-company balances that are denominated in RMB. The carrying amounts of these RMB denominated inter-company balances are HK\$nil (2018: HK\$13,653,000) as at 31 December 2019.

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35. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risks (Continued)

(i) Currency risk (Continued)

(a) (Continued)

Sensitivity analysis

The Directors consider that the exposure of HK\$ against US\$ is limited as HK\$ is pegged to US\$ and the Group is mainly exposed to the currency risk of RMB against US\$ during the year. The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US\$. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB weakened 5% against US\$. For a 5% strengthening of RMB against US\$, there would be an equal and opposite impact on the profit or loss.

	2019 HK\$'000	2018 HK\$'000
RMB	–	1,862

No sensitivity analysis is presented for RMB denominated inter-company balances as the Directors consider the exposure is insignificant.

In the Directors' opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the restricted bank deposits (note 21), bank balances (note 22) and floating-rate bank and other borrowings and bank overdrafts (note 25) due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, the management keeps monitoring the interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the fixed-rate bank and other borrowings (note 25).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from the Group's HK\$ borrowings and London Interbank Offered Rate arising from the Group's US\$ borrowings.

35. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risks (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank and other borrowings and bank overdrafts at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates at the end of the reporting period.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2019 would decrease/increase by HK\$233,000 (2018: HK\$924,000).

No sensitivity analysis for bank balances and restricted bank deposits is presented as the Directors consider that the exposure of the Group to interest rate risk on its variable-rate bank balances and restricted bank deposits is limited as Directors do not anticipate a material change in interest rate on bank balances.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group regularly monitors the external credit ratings on the financial institutions based on available information at each reporting date for its bank balances and restricted bank deposits which are placed in their financial institutions with credit ratings ranging from good to acceptable. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management team uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group has concentration of credit risk from certain bank balances and restricted bank deposits placed in a bank amounted to HK\$203,000 (2018: HK\$160,527,000), representing 62% (2018: 64%) of the total bank balances and restricted bank deposits as at 31 December 2019.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on portfolio basis by estimation based on historical credit loss experience based on the past default experience of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast conditions at the reporting date.

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35. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

For other receivables, the Group assessed the impairment individually based on past due information which, in the opinion of the Directors, have no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. Therefore, loss allowance of other receivables is assessed on 12m ECL basis. No loss allowance was made for other receivables as at 31 December 2019 and 2018 as the amounts involved were insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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35. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK\$'000
Financial assets at amortised cost					
Bank balances	22	Aa to C	N/A	12m ECL	328
Trade receivables	20	N/A	Low risk	Lifetime ECL – not credit-impaired (individual assessment)	14,760

2018	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK\$'000
Financial assets at amortised cost					
Restricted bank deposits	21	Aa to B	N/A	12m ECL	71,674
Bank balances	22	Aa to C	N/A	12m ECL	178,139
Other receivables	20	N/A	Low risk	12m ECL	1,400
Trade receivables	20	N/A	Low risk	Lifetime ECL – not credit-impaired (individual assessment)	30,872

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35. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on borrowings as a significant source of liquidity. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

As at 31 December 2019, the Group has available unutilised short and long-term bank loan facilities of approximately HK\$nil (2018: HK\$34,679,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity tables

As at 31 December 2019

	Effective interest rate %	On demand or less than 1 year HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2019 HK\$'000
Non-derivative financial liabilities					
Trade and other payables	–	4,474	–	4,474	4,474
Financial guarantee contracts	–	4,000	–	4,000	542
Bank overdrafts	3.25% to 5.18%	2,652	–	2,652	2,529
Bank and other borrowings					
– fixed rate	3.38% to 9.16%	130,155	–	130,155	121,754
– variable rate	4.13% to 6.30%	46,090	–	46,090	44,144
Lease liabilities	6.20%	3,221	4,200	7,421	6,096
		221,487	4,200	225,687	180,435

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

35. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

As at 31 December 2018

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2018 HK\$'000
Non-derivative financial liabilities					
Trade and other payables	–	53,328	1,032	54,360	54,360
Financial guarantee contracts	–	34,000	–	34,000	542
Bank overdrafts	3.63	5,232	–	5,232	5,049
Bank and other borrowings					
– fixed rate	5.30	6,674	8,248	14,922	11,921
– variable rate	5.09	221,252	–	221,252	216,212
Obligations under finance leases	7.62	2,657	267	2,924	2,739
		323,143	9,547	332,690	290,823

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Directors consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

35. Financial Instruments (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The amounts included above for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors consider that the carrying amounts of financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements at the end of the reporting period approximate their fair values as these financial instruments are short term in nature. For non-current financial liabilities which bear interest at fixed interest rates, these rates approximated to the prevailing borrowing rates of the respective group entities and accordingly, the Directors consider that their carrying amounts approximate their fair values.

36. Contingent Liabilities

The following table sets out our Group's contingent liabilities at the end of the reporting period:

	2019 HK\$'000	2018 HK\$'000
Financial guarantees given to banks (Note)	4,000	34,000

Note: As at 31 December 2019, the Group issued financial guarantees to banks in respect of banking facilities granted to related parties of an aggregate amount of HK\$4,000,000 (2018: HK\$34,000,000). The amount disclosed above represents the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety, of which HK\$4,000,000 (2018: HK\$33,523,000) have been utilised by the related parties. Financial guarantees are initially recognised at fair value. The Directors are of the opinion that the fair value of the financial guarantees at initial recognition is not significant. The amounts of initial recognition of the financial guarantees are included in the consolidated statement of changes in equity. At the end of the reporting period, amounts of HK\$542,000 (2018: HK\$564,000) have been recognised as financial guarantee obligations in the consolidated statement of financial position.

37. Litigations

HCA 2241 OF 2019

On 3 December 2019, a legal proceeding was initiated by Nanyang Commercial Bank, Limited ("NCB") as plaintiff under action number HCA 2241 of 2019 against Chase On, the Company, three former directors of the Company namely Mr. Tong Ying Chiu ("Mr. Tong") and Ms. Ng Siu Kuen Sylvia ("Ms. Ng"), and Mr. Chan Kam Hon Ivan ("Mr. Chan"), in respect of Chase On's outstanding sums and interests due from banking facilities granted by NCB to Chase On. The Company and the aforesaid Directors were guarantors of Chase On's liabilities to NCB.

NCB claims against Chase On, the Company and the aforesaid Directors for (i) the outstanding balance of HK\$2,063,000 and its further interest payments accrued; and (ii) the outstanding principal of US\$2,231,000 and its outstanding interest of US\$16,000 (equivalent to approximately HK\$17,398,000 and HK\$123,000, respectively) and its further interest accrued.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

37. Litigations (Continued)

HCA 2259 OF 2019

On 6 December 2019, a legal proceeding was initiated by Fubon Bank (Hong Kong) Limited ("Fubon") as plaintiff under action number HCA 2259 of 2019 against Chase On, the Company, Mr. Tong and Mr. Chan, in respect of Chase On's outstanding sums and interests due from banking facilities granted by Fubon to Chase On. The Company, Mr. Tong and Mr. Chan were guarantors of Chase On's liabilities to Fubon.

Fubon claims against Chase On, the Company, Mr. Tong and Mr. Chan for the sums of US\$871,000 (equivalent to approximately HK\$6,796,000) and HK\$367,000 and their interests and further interests accrued.

HCA 2395 OF 2019

On 24 December 2019, a legal proceeding was initiated by O-Bank Co., Ltd. ("O-Bank") as plaintiff under action number HCA 2395 of 2019 against Chase On, the Company, and Mr. Tong, Ms. Ng, Mr. Chan, and Mr. Tong Bak Nam Billy (who resigned as Director of the Company on 27 May 2020), in respect of Chase On's outstanding sums and interests due from credit facilities granted by O-Bank to Chase On. The Company and the aforesaid Directors were guarantors of Chase On's liabilities to O-Bank.

The Plaintiff claims against Chase On, the Company and the aforesaid Directors for the outstanding principal amounts of (i) HK\$6,182,000 and US\$3,647,000 (equivalent to approximately HK\$28,444,000), and (ii) the interest on the said principal amounts and their further interest accrued.

DCC 6917 AND 6918 OF 2019

On 23 December 2019, 2 legal proceedings were initiated by Great View Finance Limited ("Great View") as plaintiff under action number DCC 6917 and 6918 of 2019 against Chase On, Tong Ying Chiu and Ng Siu Kuen Sylvia for the claim of debts of approximately HK\$731,000 in total.

HCA 2421 OF 2019

On 30 December 2019 a legal proceeding was initiated by Great China Trading Company Limited ("Great China") as plaintiff under action number HCA 2421 of 2019 against Chase On for the claim of sales of goods of approximately HK\$3,331,000. As the Group has disputes with Great China over the claim, the Directors consider that they have substantial grounds to defend the claim, and hence no provision for such claim is made for the year ended 31 December 2019.

HCA 354 OF 2020

On 18 March 2020, a legal proceeding was initiated by DBS Bank (Hong Kong) Limited ("DBS") as plaintiff under action number HCA 354 of 2020 against Chase On and the Company, in respect of Chase On's outstanding sums and interests due from banking facilities granted by DBS to Chase On. The Company was guarantor of Chase On's liabilities to DBS.

DBS claims against Chase On and the Company for the sums of US\$999,000 (equivalent to approximately HK\$7,779,000) and their interests accrued.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

38. Winding-Up Petitions against the Company and its Subsidiaries

HCCW 374 OF 2019 AND HCCW 401 OF 2019

On 26 November 2019 and 13 December 2019, Chase On was served a winding-up petition filed by Standard Chartered Bank (Hong Kong) Limited ("SCB") under action number HCCW 374 of 2019 (the "1st Petition") and another winding-up petition filed by CTBC Bank Co., Ltd. ("CTBC") under action number HCCW 401 of 2019 (the "2nd Petition") in the High Court of the Hong Kong Special Administrative Region (the "High Court"), both for an order that Chase On be wound up by the High Court on the ground that Chase On is insolvent and is unable to pay its debts.

The 1st Petition was filed against Chase On for its failure to settle the outstanding sum of HK\$13,558,000 and the interest on the outstanding sum owed to SCB. On 31 March 2020, the Court ordered that Chase On be wound up.

The 2nd Petition was filed against Chase On for its failure to settle outstanding principal sums totalling US\$5,728,000 (equivalent to approximately HK\$44,604,000) and the interests on the outstanding principal sums owed to CTBC.

HCCW 402 OF 2019

On 13 December 2019, Sun Cheong Creative Development Limited ("SCCD", a former ultimate shareholder of the Company) was served a winding-up petition filed by CTBC under action number HCCW 402 of 2019 (the "3rd Petition") in the High Court for an order that SCCD be wound up by the High Court on the ground that SCCD is insolvent and is unable to pay its debts.

The 3rd Petition was filed against SCCD as guarantor of Chase On's liability to CTBC.

HCCW 403 OF 2019

On 13 December 2019, the Company was served a winding-up petition filed by CTBC under action number HCCW 403 of 2019 (the "4th Petition") in the High Court for an order that the Company be wound up by the High Court on the ground that the Company is insolvent and is unable to pay its debts of approximately US\$5,728,000 (equivalent to approximately HK\$44,604,000).

The 4th Petition was filed against the Company as guarantor of Chase On's liability to CTBC related to the 2nd Petition.

The 2nd Petition, the 3rd Petition and the 4th Petition were heard before the High Court on 24 June 2020 and adjourned to 6 July 2020.

HCCW 28 OF 2020

On 17 January 2020, the Company was served a winding-up petition filed by Orix Asia Limited ("Orix") under action number HCCW 28 of 2020 (the "5th Petition") in the High Court for an order that the Company be wound up by the High Court on the ground that the Company is insolvent and is unable to pay its debts of approximately HK\$7,033,000 in total.

A hearing of the 5th Petition is fixed to be heard on 8 July 2020.

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

39. Pledge of Assets

Certain of the Group's borrowings are secured by assets of the Group and the carrying amounts of which at the end of the reporting period are stated below:

	2019 HK\$'000	2018 HK\$'000
Property, plant and equipment	–	8,293
Restricted bank deposits	–	71,674
	–	79,967

During the years ended 31 December 2019 and 2018, the Group's bank and other borrowings and bank overdrafts are secured and/or guaranteed by certain related parties and details are disclosed in note 25.

40. Statement of Financial Position and Reserves of the Company

	NOTE	2019 HK\$'000	2018 HK\$'000
NON-CURRENT ASSETS			
Interest in a subsidiary		–	13,771
Right-of-use assets		5,284	–
Amount due from a subsidiary		58,180	126,704
		63,464	140,475
CURRENT ASSETS			
Trade and other receivables		–	–
Bank balances and cash		17	9,992
		17	9,992
CURRENT LIABILITIES			
Trade and other payables		7,814	9,901
Lease liabilities		1,669	–
Bank overdrafts		10	–
		9,493	9,901
NET CURRENT (LIABILITIES)/ASSETS		(9,476)	91
TOTAL ASSETS LESS CURRENT LIABILITIES		53,988	140,566
NON-CURRENT LIABILITIES			
Lease liabilities		3,642	–
NET ASSETS		50,346	140,566
CAPITAL AND RESERVES			
Share capital		5,400	5,400
Reserves	(a)	44,946	135,166
Total equity		50,346	140,566

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

40. Statement of Financial Position and Reserves of the Company (Continued)

(a) THE FOLLOWING ARE THE MOVEMENTS OF THE COMPANY'S RESERVES

	Share premium HK\$'000	Accumulated losses/retained profits HK\$'000	Total HK\$'000
At 1 January 2018	13,771	2,214	15,985
Profit and other comprehensive income for the year	–	20,924	20,924
Dividend recognised as distribution (note 15)	–	(30,000)	(30,000)
Issue of shares upon listing	143,100	–	143,100
Transaction costs attributable to issue of shares	(14,843)	–	(14,843)
At 31 December 2018	142,028	(6,862)	135,166
Loss and other comprehensive income for the year	–	(49,720)	(49,720)
Dividend recognised as distribution (note 15)	–	(40,500)	(40,500)
At 31 December 2019	142,028	(97,082)	44,946

41. Major Non-Cash Transactions

During the year ended 31 December 2019, there was no major non-cash transactions.

During the year ended 31 December 2018, the Group has the following non-cash transactions:

- (i) the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$3,440,000.
- (ii) amongst the dividends of HK\$30,000,000 (2017: HK\$10,000,000) declared to the shareholders of the Company, dividends of HK\$20,019,000 were settled through the current account with a director; and
- (iii) Mr. Tong and related companies had entered into settlement agreements pursuant to which the amounts due from related companies of HK\$37,688,000 at 31 December 2018 were transferred to and borne by Mr. Tong.

42. Capital Commitment

	2019 HK\$'000	2018 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	15,429

Notes to the Consolidated Financial Statements

For the year Ended 31 December 2019

43. Particulars of Subsidiaries of the Company

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company		Principal activities
				2018	2019	
Top Leader*	BVI 19 May 2016	Hong Kong	US\$1	100%	100%	Investment holding
Chase On	Hong Kong 16 June 1989	Hong Kong	HK\$10,000	100%	100%	Design and trading of plastic household products
Shenzhen Xincang 深圳新昌塑膠用品有限公司	The PRC 20 November 1992	The PRC	RMB7,500,000	100%	–	Manufacturing and processing of plastic household products
Foshan Haichang New Materials Technology Co., Ltd.** 佛山市海昌新材料科技有限公司 ("Foshan Haichang")	The PRC 28 May 2012	The PRC	RMB12,000,000	61%	–	No operation

* *Directly held by the Company*

** *The English name is for identification only. The official name of the entity is in Chinese.*

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

Notes to the Consolidated Financial Statements

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44. Reconciliation of Liabilities Arising from Financing Activities

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

	At 1 January 2019 HK\$'000	Impact on initial application of HKFRS 16 HK\$'000	Restated balance at 1 January 2019 HK\$'000	Financing cash flows HK\$'000	Other changes HK\$'000 (note ii)	At 31 December 2019 HK\$'000
Obligations under finance leases (note iii)	2,739	(2,739)	–	–	–	–
Bank and other borrowings (note iv)	228,133	–	228,133	(58,827)	(3,408)	165,898
Dividend payable (note v)	–	–	–	(40,500)	40,500	–
Lease liabilities (note vi)	–	28,619	28,619	(5,434)	(17,089)	6,096
Accrued issue costs	2,475	–	2,475	(2,475)	–	–
	233,347	25,880	259,227	(107,236)	20,003	171,994

	At 1 January 2018 HK\$'000	Financing cash flows HK\$'000	Non-cash changes HK\$'000 (note i)	Other changes HK\$'000 (note ii)	At 31 December 2018 HK\$'000
Obligations under finance leases (note iii)	1,179	(2,098)	–	3,658	2,739
Bank and other borrowings (note iv)	179,210	39,417	–	9,506	228,133
Dividend payable (note v)	–	(9,981)	(20,019)	30,000	–
Accrued issue costs	1,124	(14,843)	–	16,194	2,475
	181,513	12,495	(20,019)	59,358	233,347

Notes:

- (i) Non-cash changes represent the effects of set off of the dividends declared to the shareholders/the then shareholders of the companies comprising the Group with the current account of a director (note 41).
- (ii) Other changes include the adoption of HKFRS16, the addition of property, plant and equipment through finance lease, finance cost recognised, changes on de-consolidation of subsidiaries, the dividend declared and issued costs accrued.
- (iii) The cash flows of obligations under finance leases represent repayments of principal and interest.
- (iv) Bank and other borrowings include bank and other loans and bank borrowings from factoring of trade receivables with full recourse. The cash flows from the bank and other borrowings comprise the net amount of new borrowing raised and repayment of principal and interest of the bank and other borrowings during the year.
- (v) The cash flows of dividend payable represent payment of dividend to shareholders.
- (vi) The cash flows of lease liabilities represent the repayments of principal and interest.

45. Events Subsequent to Reporting Period

- (i) As stated in note 38, the Court ordered Chase On be wound up on 31 March 2020. The directors of the Company consider that the Group had lost its control to govern Chase On with effect from 1 April 2020. Accordingly, the financial information of Chase On will be De-consolidated with effect from 1 April 2020, and the estimated loss arising from loss of control over Chase On amounting to approximately HK\$2,707,000 will be recognised for the year ending 31 December 2020, based on the latest available financial information of Chase On as at 31 December 2019.
- (ii) On 9 June 2020, the Board received a letter from Mr. Cheung Hok Hin, Alan (the "Receiver") of Wing United CPA Limited regarding the appointment of the Receiver (the "Receivership") over 270,256,500 ordinary shares and 98,613,000 ordinary shares of the Company (collectively the "Charged Shares") which are registered under the names of Uni-Pro and Mr. Chan Kam Hon Ivan ("Mr. Chan"), respectively, pursuant to the powers contained in a debenture dated 16 January 2020 and executed by Uni-Pro in favour of Cachet Multi Strategy Fund SPC (the "Lender") and a share charge dated 1 April 2019 and executed by Mr. Chan in favour of the Lender (as amended and supplemented by a supplemental deed dated 16 January 2020) in connection with a loan agreement dated 1 April 2019 and entered into among Uni-Pro (as borrower), the Lender (as lender), and Mr. Tong Ying Chiu, Ms. Ng Siu Kuen Sylvia and Mr. Chan (as guarantors). For details, please refer to the announcement of the Company dated 16 June 2020.
- (iii) Since the outbreak of the Novel Coronavirus (COVID-19) disease in China, ongoing prevention and control measures have been carried out throughout the whole world. The epidemic has impacted the overall economy as well as the Group's business. Therefore, the Group's operations and revenue have been negatively affected. The degree of COVID-19 may vary depending on the situation of the development of epidemic and the implementation of prevention measurement. The Company will closely monitor the situation, and assess its impacts on the Group's financial position and operating results. As of the date of this annual report, such assessment is still ongoing.

Five-Year Financial Summary

	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Results					
Revenue	260,389	340,972	325,814	300,632	315,527
(Loss)/profit for the year attributable to owners of the Company	(296,797)	33,837	27,411	26,335	29,273
Assets and liabilities					
Total assets	82,213	564,955	366,611	359,672	405,712
Total liabilities	199,149	339,277	275,048	286,582	343,597
Net assets					
Non-controlling interests	4	5,321	5,615	5,226	5,585
Equity attributable to owners of the Company	(116,940)	220,357	85,948	67,864	56,530

The annual report of the Company for the year ended 31 December 2019 will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.clip-fresh.com) by 12 July 2020.

By order of the Board
Sun Cheong Creative Development Holdings Limited
Chan Sai On Bill
Executive Director

Hong Kong, 30 June 2020

As at the date of this announcement, the executive Directors are (Mr. Chan Sai On Bill and Mr. Ng Chun Chung); and the independent non-executive Directors are (Mr. Li Ka Chun, Mr. Sze Chun Wai, Fung Wai Hang).

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.