Smart Globe Holdings Limited
竣球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8485

ANNUAL REPORT

2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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The Report, for which the Directors (the "**Directors**") of Smart Globe Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Report misleading.

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Principal Place of Business in the People's Republic of China ("PRC")
Heyuan Hi-Tech Development Zone
Heyuan, Guangdong Province
PRC

Compliance Adviser
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Hong Kong

Company Secretary
Mr. Cheung Sum Chin

Authorised Representatives (for the purposes of the GEM Listing Rules)
Mr. Lam Tak Ling Derek
Mr. Chan Yee Yeung

Compliance Officer
Ms. Tse Yuen Shan Ivy

Board of Directors
Executive Directors
Mr. Lam Tak Ling Derek *(Chairman)*
Mr. Chan Yee Yeung
Ms. Tse Yuen Shan Ivy

Independent Non-Executive Directors
Mr. Li Chun Hung
Mr. Ong Chor Wei
Mr. Yam Kam Kwong, *JP*

Audit Committee
Mr. Li Chun Hung *(Chairperson)*
Mr. Ong Chor Wei
Mr. Yam Kam Kwong, *JP*

Remuneration Committee
Mr. Ong Chor Wei *(Chairperson)*
Ms. Tse Yuen Shan Ivy
Mr. Li Chun Hung
Mr. Yam Kam Kwong, *JP*

Nomination Committee
Ms. Tse Yuen Shan Ivy *(Chairperson)*
Mr. Li Chun Hung
Mr. Ong Chor Wei
Mr. Yam Kam Kwong, *JP*

Cayman Islands Share Registrar and Transfer Office
Estera Trust (Cayman) Limited
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Hong Kong Share Registrar and Transfer Office
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88 Queensway
Hong Kong

Stock code
8485

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**"), I present to you our annual results for the year ended 31 December 2019 ("**FY19**").

It has been over two years since the shares of the Company has been listed on GEM of the Stock Exchange ("**GEM**"), investors of the Company has took a cautious investment stance in view of macroeconomic uncertainties. In order to provide our existing and potential investors with greater confidence in the Group, we devoted unwavering efforts to enhance our business performance by diversifying our product portfolio as well as customer base.

During FY19, the Group is suffering from the challenges from keen competition in the industry. However, the Group delivered a good financial performance despite the tariff issue initiated by the Trade War during the year under review. Facing all these challenges, the Group took strategic moves to generate higher gross profit revenue and improve cost efficiency. As you may be aware, in view of an increasing demand for high value-added products, the Group has reallocated resources to optimize workforce structure and streamline production process. Besides the initiatives mentioned above, the Group also strove to extend its geographical market coverage with a view to obtain bigger market presence in the industry. While deepening its business root in the Greater China market through increased marketing activities, the Group has reached out to a global base of customers with its cost-effective and quality-guaranteed services. The United States, United Kingdom and Netherlands markets contributed 23.7%, 11.8% and 10.4% respectively to the Group's total revenue.

As far as we are concerned, in response to challenging external operating environment and intensified internal competition, the printing industry is expected to undergo consolidation in the coming years. The Group, leveraging on its reputation in delivering one-stop quality services, is well positioned to maximize its brand value and claim a larger market share.

Lastly, on behalf of the Board, I would like to take this opportunity to thank the Group's management and employees for their dedicated contributions and unwavering commitment to deliver the best service to our customers over the years. My appreciation also goes to all shareholders, business associates, partners and valued customers for their generous support and confidence in the Company, and to the Board members for their leadership and guidance. I look forward to your commitment and continued support as we continue to generate satisfactory returns to our shareholders.

Yours faithfully,
Mr. Lam Tak Ling Derek
Chairman
Smart Globe Holdings Limited

20 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In view of the uncertain global economy, the Group will strive to launch various credit controls, and further tighten the control over operating expenses, while streamlining production control and improving manufacturing efficiency with technology advanced machinery to minimise the labour cost and maximise the facility utilisation rate.

Business Review

As one of the leading printing service providers, the Group is engaged in its core business of printing books products and novelty and packaging products. It provides a full suite of services from pre-press to printing to finishing services, as well as producing custom-made and value added printing products.

For FY19, the Group recorded an increase in its total revenue by approximately 6.8% to approximately HK$132.2 million from approximately HK$123.8 million in FY18. This was mainly due to the increase in sale in the book product segment in the United States ("**U.S.**") and Hong Kong ("**HK**"). Profit of the Company was approximately HK$23.1 million, representing an increase of 29.7% from approximately HK$17.8 million in FY18.

During FY19, approximately 82.7% of total revenue was contributed by the book products segment amounting to approximately HK$109.3 million (FY18: approximately HK$101.7 million). This segment's performance remains stable for the year under review.

As a strategy to maintain competitiveness in the current operating environment, the Group continue to extend its geographical reach of customers during FY19. Revenues were generated from areas such as the U.S., the People's Republic of China (the "**PRC**") (including Hong Kong), the United Kingdom and the Netherlands, representing 23.7%, 43.9%, 11.8% and 10.4% of our total revenue, respectively.

Outlook

In the year ahead, the Group will continue to explore and capture new business opportunities for potential growth by enhancing our marketing strategy to expand our quality customer base and promote our one-stop printing services to existing and potential customers as well as the Group will strive to further tighten control over its operating expenses and streamline the production processes.

Meanwhile, by leveraging its leading one-stop printing platform, the Group will continue to invest in enhancing its capabilities to improve the overall production efficiency and prepare for any opportunity and potential growth in the future.

The Group will also cautiously explore viable investment and acquisition opportunities that can enhance value of the shareholders of the Company ("**Shareholders**").

Financial Review

Revenue

Our revenue increased by approximately 6.8% from approximately HK$123.8 million for FY18 to approximately HK$132.2 million for FY19. This was mainly due to the net effect of less orders received from customers based in the Netherlands, United Kingdom ("**U.K.**") and PRC, and more secured orders from customers based in the U.S. and HK which resulted in the increase in total revenue by approximately 6.8%.

Gross profit margin

Our overall gross profit margin increased from approximately 35.9% in FY18 to approximately 37.8% in FY19. The increase in gross profit margin was mainly due to better sales performance and better streamlined production management in the FY19.

Other income

Our other income increased more than 100.0% from approximately HK$0.3 million in FY18 to approximately HK$1.6 million in FY19. The increase was mainly due to the increase in receipt of government grants of HK$0.9 million in FY19.

Allowance for credit losses, net of reversal

Our allowance for credit losses, net decreased by over 100% from allowance for credit losses of approximately HK$0.5 million in FY18 to reversal of allowance for credit losses of approximately HK$0.1 million in FY19. The decrease was mainly due to the decrease in trade receivables that were considered irrecoverable in FY19.

Other gains and losses

Our other gains and losses decreased by approximately 66.3% of approximately HK$0.7 million in FY18 to approximately of HK$0.2 million in FY19. Such variance is mainly due to loss on disposal of plant and equipment for FY19.

Selling and distribution costs

Our distribution costs increased by approximately 17.5% from approximately HK$6.3 million in FY18 to approximately HK$7.5 million in FY19. This was mainly due to the increase of approximately HK$0.6 million in transportation and freight charges resulting from higher sales volume during the year under review.

Administrative expenses

Our administrative expenses decreased slightly by approximately 4.0% from approximately HK$16.4 million in FY18 to approximately HK$15.8 million in FY19. Not much variance was noted by us.

Finance costs

Our finance costs decreased by approximately 23.7% from approximately HK$0.5 million in FY18 to approximately HK$0.4 million in FY19. This was mainly due to less invoice financing loans were obtained during the year under review.

Income tax expense

Our income tax expense increased by approximately 33.4% from approximately HK$3.9 million in FY18 to approximately HK$5.2 million in FY19. It was mainly due to the increase in assessable profit that is subject to Hong Kong profits tax.

Tax on overseas profits has been calculated on the estimated assessable profits for FY19 at the rates of tax prevailing in the countries in which the Group operates.

Profit for the year

As a result of the above factors, profit for the FY19 stood at approximately HK$23.1 million (FY18: approximately HK$17.8 million).

The above financial data were chosen to be presented in this annual Report as they represent a material financial impact on the financial statements of the Group for FY18 and/or FY19. The board of Directors (the "**Board**") believes that by presenting the changes of these financial data, they can effectively explain the financial performance of the Group for FY19.

FUTURE DEVELOPMENT AND PROSPECTS

In the year ahead, the Group hopes to utilise its growth potential. The Group will continue to explore new business opportunities for existing products in different markets so as to promote a diversified quality customer base by implementing strategic initiatives and enhancing marketing efforts. In addition, the Group will strive to tighten control over its operating expenses and streamline the production processes.

Meanwhile, by leveraging its leading one-stop printing platform, the Group will continue to enhance its capabilities. Improved production efficiency and the enhancement of manufacturing flexibility are expected to add a competitive advantage to the Group and hence may generate more sales orders from both existing and new customers.

FINAL DIVIDEND

A final dividend of HK0.4 cent per share, amounting to an aggregate of HK$4.0 million in respect of the FY19 (FY18: nil), has been proposed by the Directors and is subject to approval of the Shareholders at the forthcoming annual general meeting of the Company.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 28 December 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares.

As at 31 December 2019, the Company's issued share capital was HK$10,000,000 and the number of its issued ordinary shares was 1,000,000,000 of HK$0.01 each.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with shareholders' equity, cash generated from operations and bank borrowings.

The Group maintained bank deposits, bank balances and cash amounting to approximately HK$42.7 million as at 31 December 2019 (31 December 2018: approximately HK$29.4 million), increased by approximately 45.2% as compared with that as at 31 December 2018. The functional currency of our Company is Hong Kong dollar. As at 31 December 2019, 74.1% of our Group's cash and bank balances was denominated in Hong Kong dollar (31 December 2018: 90.5%) and the remaining 25.9% (31 December 2016: 9.5%) in other currencies, mainly the US dollar and Renminbi ("**RMB**").

The Group's non-current assets increased to approximately HK$36.8 million as at 31 December 2019 (31 December 2018: approximately HK$35.2 million), primarily due to the net effect of depreciation of property, plant and equipment and addition of property, plant and equipment.

As at 31 December 2019, the Group's current assets amounted to approximately HK$106.0 million, mainly comprised of inventories of approximately HK$11.6 million (31 December 2018: approximately HK$$10.7 million), trade and other receivables of approximately HK$48.6 million (31 December 2018: approximately HK$51.8 million), certificates of deposit of approximately HK$3.0 million (31 December 2018: approximately HK$3.0 million) and bank balance and cash of approximately HK$42.7 million (31 December 2018: approximately HK$29.4 million).

As at 31 December 2019, the Group's current liabilities amounted to approximately HK$23.4 million, mainly comprised of trade and other payables of approximately HK$16.1 million (31 December 2018: approximately HK$19.3 million), contract liabilities of approximately HK$0.2 million (31 December 2018: approximately HK$0.5 million), taxation payable of approximately HK$4.7 million (31 December 2018: approximately HK$0.3 million), lease liabilities/obligations under finance leases of approximately HK$2.5 million (31 December 2018: approximately HK$4.3 million), and zero bank borrowing (31 December 2018: approximately HK$7.4 million).

As at 31 December 2019, the net current assets of the Group increased by approximately HK$19.1 million or approximately 30.1% to approximately HK$82.5 million (31 December 2018: approximately HK$63.4 million).

The Group had lease liabilities/obligations under finance leases of approximately HK$2.5 million as at 31 December 2019 (31 December 2018: total bank borrowings and obligations under finance leases of approximately HK$13.0 million).

The Group's gearing ratio, which is total interest-bearing liabilities divided by total equity was approximately 2.1% as at 31 December 2019 (31 December 2018: approximately 13.4%). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) stood at approximately 4.5 as at 31 December 2019 (2018: approximately 3.0).

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. To manage the Group's liquidity risk, the management monitors the Group's liquidity position and maintains sufficient cash and cash equivalents within the Group, as well as ensuring the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As its revenue is mainly denominated in United States dollars ("**US$**") and Hong Kong dollars ("**HK$**"), and HK$ is pegged to US$, the Group's exposure to fluctuations in exchange rate in relation to the Group's revenue is relatively low.

The Group is also exposed to foreign exchange risks as the Group's production is mainly in the PRC. The continuing depreciation of RMB may lead to a decrease of our cost of production. During FY19, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks. The Group will keep on reviewing and monitoring the exchange fluctuation between RMB and HK$, and will consider entering into hedging arrangement as and when appropriate.

CAPITAL EXPENDITURE

During FY19, the Group had acquired plant and equipment at approximately HK$4.7 million (FY18: HK$4.6 million).

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

For details, please refer to page 38 of the Corporate Governance Report in this report.

MATERIAL INVESTMENTS

The Group had not made or held any significant investments during FY19.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in "Future Plans and Use of Proceeds" of the prospectus of the Company (the "**Prospectus**"), the Group did not have other plans for material investments or capital assets.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

During FY19, the Group had not made any significant acquisition or disposal of subsidiaries, associates or joint venture.

EMPLOYEES' INFORMATION AND EMOLUMENT POLICIES

Employees of the Group

Our employees are based in Hong Kong and He Yuan, Guangdong Province, the PRC. As at 31 December 2019, there were 333 (2018: 343) employees in the Group. The total staff costs, including directors' emoluments, amounted to approximately HK$27.4 million for FY19 (FY18: approximately HK$32.8 million). Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

Employees of He Yuan Factory

The workers working at our production site located at Heyuan Hi-Tech Development Zone, Heyuan, Guangdong Province, the PRC ("**He Yuan Factory**") are employed by the He Yuan Factory. As at 31 December 2019, there were 320 (2018: 329) employees in the He Yuan Factory.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the securities of the Company during FY19.

UPDATE ON DIRECTORS' INFORMATION

During FY19, there was no change in the information of the Directors pursuant to Rule 17.50A (1) of the GEM Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lam Tak Ling Derek (Mr. Lam), aged 49, is the chairman of our Board and was appointed as an executive Director on 5 May 2017. Mr. Lam is primarily responsible for overall strategic planning and overseeing the general management of our Group. Mr. Lam has more than 20 years of experience in the printing industry. During the period from July 1994 to July 2012, he worked in a company principally engaged in the printing of books, as a sales director. He joined our Group as a sales and marketing manager in August 2012 and has been a director of CP Printing since August 2014.

Mr. Chan Yee Yeung (Mr. Chan), aged 46, is the chief operations officer of our Group and was appointed as an executive Director on 5 May 2017. Mr. Chan is primarily responsible for overseeing the manufacturing activities of our Group. Mr. Chan has more than 20 years of experience in the printing industry. He worked in a company principally engaged in the manufacturing and exporting of paper products, as a production controller from August 1996 to August 2000. He then worked in a company principally engaged in the manufacturing and sales of personalized products, as a coordinator from September 2000 to May 2001, and in a printing service provider, as a project management consultant manager from June 2001 to September 2014. He joined our Group as a production manager and a director of CP Printing in August 2014.

Ms. Tse Yuen Shan Ivy (Ms. Tse), aged 47, is the general manager of our Group and was appointed as an executive Director on 5 May 2017. Ms. Tse is primarily responsible for overseeing the procurement activities as well as administrative, human resources and logistics matters of our Group. Ms. Tse has more than 19 years of experience in the printing industry. She worked in a company principally engaged in the provision of exhibition services, as a project secretary from May 1997 to July 1998. She then worked in a company principally engaged in the manufacturing and exporting of paper products, as a production controller from November 1998 to March 2001, and in a printing service provider, as a general manager from May 2001 to March 2012. She established our Group in 2012 and served as a director of CP Printing from March 2012 to August 2014 and as our general manager from March 2012 to September 2014. She then served as a director in a printing service provider from September 2014 to November 2015. She re-joined our Group as a general manager in November 2015 and has been a director of CP Printing since April 2017.

Independent non-executive Directors

Mr. Li Chun Hung (Mr. Li), aged 58, was appointed as an independent non-executive Director on 4 December 2017. He is a certified public accountant in Hong Kong and has over 20 years of experience in professional accounting. Mr. Li is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of International Accountants, a member of the Institute of Certified Management Accountants, a fellow member of the Taxation Institute of Hong Kong, a member of the Society of Chinese Accountants and Auditors as well as a member of the Chartered Institute of Arbitrators.

Mr. Ong Chor Wei (Mr. Ong), aged 50, was appointed as an independent non-executive Director on 4 December 2017. He is a certified public accountant in Hong Kong and has extensive experience in finance and accounting. Mr. Ong has been an associate of the Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Institute of Certified Public Accountants since December 1993 and October 1995, respectively.

Mr. Yam Kam Kwong (Mr. Yam), *JP*, aged 68, was appointed as an independent non-executive Director on 4 December 2017. He is a qualified solicitor in Hong Kong and has more than 30 years of experience in legal services. Mr. Yam was also qualified as a solicitor in England & Wales in October 1986, a solicitor and barrister in Australia in February 1989, a solicitor and barrister in the Republic of Singapore in March 1995, as well as a solicitor in New South Wales in November 1995.

Senior Management

Mr. Cheung Sum Chin (Mr. Cheung), aged 34, is the financial controller and company secretary of the Group. He is primarily responsible for overseeing our accounting and finance department as well as our company secretarial matters. Mr. Cheung was an assistant manager in an audit firm where he advised clients in areas of finance, audit and tax. Mr. Cheung graduated from university in accounting in 2011. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants.

FINANCIAL HIGHLIGHTS

Earnings per share (HK cents)

Earnings per ordinary share based on profit attributable to owners of the Group

		2019	2018
(i)	Based on weighted average number of ordinary shares	**HK 2.31 cents**	HK 1.78 cents
(ii)	On a fully diluted basis	**Not applicable**	Not applicable

The calculation of basic earnings per share is based on the profit of the Company of approximately HK$23,142,000 for FY19 (2018: approximately HK$17,838,000) and on the weighted average number of 1,000,000,000 (2018: 1,000,000,000) ordinary shares in issue during FY19.

Diluted earnings per share for the years ended 31 December 2019 and 2018 are not presented as there is no dilutive potential ordinary share.

Revenue (HK$'000)

	Year ended 31 December				
	2015	2016	2017	2018	**2019**
Revenue	67,985	114,260	150,367	123,812	**132,194**

Net profit (loss) for the year (HK$'000)

	Year ended 31 December				
	2015	2016	2017	2018	**2019**
Profit (loss) for the year attributable to owners of the Company	7,239	10,694	(177)	17,838	**23,142**

ABOUT THE ESG REPORT

Smart Globe Holdings Limited ("**Smart Globe**") is delighted to present its environmental, social and governance report (the "**ESG Report**") for the financial year ended 31 December 2019. This ESG Report herein focuses on providing an overview of the environmental and social aspects of the Company and its subsidiaries (the "**Group**"), and outlines how we seek to continually improve our operational strategy in regard to our environment and society in order to cope with the global standards of sustainability.

The Group believes that prudent management of environmental and social issues is one of the key factors in long-term success under this rapidly changing world. To better understand the risks and opportunities for environmental protection, the Group closely follows with the requirements and expectations of regulatory authorities through an efficient operation management, well-established policies and procedures as well as higher standard of energy efficient measures and waste treatment. The Group believes that our expertise, capabilities and ownership patterns can be part of the solution to some of the challenges the Group is facing.

In order to carry out the Group's sustainability strategy from top to bottom, the Board of Directors (the "**Board**") of the Company has ultimate responsibility for ensuring the effectiveness of the Group's environmental, social and governance policies. The Board has established certain dedicated teams to manage the environmental, social and governance issues within each business division of the Group. Designated staff has been assigned to enforce and supervise the implementation of the relevant policies.

Smart Globe is committed to the implementation of sustainable development and social corporate responsibility. While the Group is actively developing and expanding our business, the Group also takes environmental, social and moral needs into serious consideration so as to strike a balance and unity between the profitability, environmental and social impacts. The Group also pays great attention to stakeholders including but not limited to customers, investors, environment, suppliers, employees and government to establish a good relationship through better understand and respond to their expectations. As a result, the Group will continue to maintain close contact with the stakeholders to meet the expectations and needs of the stakeholders with an aim to continuously improve our environmental, social and governance strategies to create an efficient and diversified business.

During the process of the preparation of this ESG Report, the Group has conducted thorough review and evaluation of the existing Group's policies and practices. Unless otherwise stated, this Report covers the data and information from its factory located in Heyuan, Guang Dong Province, PRC. (the "**Heyuan Factory**") and its Hong Kong office.

Report Scope and Boundary

The Report is prepared in accordance with the selected global, local and industrial standards and best practices, which include, but not limited to, the Environmental, Social and Governance Reporting Guide ("**Guide**") as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("**HKEX**") (the "**GEM Listing Rules**") and any applicable accounting and financial reporting standards in Hong Kong.

In order to comply with the disclosure obligations of "**comply or explain**" provisions, this Report has outlined the overall Group's performance in environmental protection, human resources, operating practice and community involvement for the financial year, from 1 January 2019 to 31 December 2019 ("**Reporting Period**").

This Report was approved by the board of directors (the "**Board**") on 20 March 2020. For details on the Group's corporate governance, please refer to "**Corporate Governance Report**" on pages 26 to 38 of the Group's Annual Report.

Information and Feedback

For details in relation to our financial performance and corporate governance, please visit our website on http://www.smartglobehk.com/ and/or see our Annual Report for the year ended 31 December 2019. The Group also treasure your feedback and comments on our sustainability performance, please send your feedback and other sustainability enquires to our Customer Service at sales@cpprinting.com.hk.

OUR STAKEHOLDERS

The Group strongly believes that our stakeholders play a crucial role in sustaining the success of our business. The Group is actively searching for every opportunity to understand and engage our stakeholders to ensure that improvement can be implemented to our products and services.

Stakeholders	Probable Points of Concern	Communication and Responses
HKEX	Compliance with listing rules, and timely and accurate announcements.	Meetings, training, workshops, programs, website updates, and announcements.
Government	Compliance with laws and regulations, preventing tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Investors	Corporate governance, business strategies and performance, and investment returns.	Organizing briefing sessions and seminars, interviews, shareholders' meetings, issue of financial reports or operation reports for investors, media and analysis.

Stakeholders	Probable Points of Concern	Communication and Responses
Media & Public	Corporate governance, environmental protection, and human rights.	Issue of newsletters on the Company's website.
Customers	Service quality, service delivery schedule, reasonable prices, service value, and personal data protection.	After-sales services.
Employees	Rights and benefits of employees, compensation, training and development, work hours, and working environment.	Conducting union activities, training, interviews with employees, internal memos, and employee suggestion boxes.
Community	Community environment, employment opportunities, community development, and social welfare.	Developing community activities, employee voluntary activities, and community welfare subsidies and donations.

ENVIRONMENTAL

Overview

The Group places great emphasis on the impact of commercial activities on the environment and natural resources. Our production can be broadly divided into pre-press, printing and post-press processes. Pre-press activities generally involve a series of steps such as color proofing, imposition and plate-making. The Group conduct our printing process with our multiple-color printing presses ranging from 2-colour to 8-colour capacities for products of various color specifications. Post-press process typically includes folding, collating, sewing, trimming, binding and other finishing operations. During the production, the Group consume papers, dyes and some packaging materials. Being a responsible printing service provider, the Group integrates the concept of environmental protection into our internal management and daily operation activities and successfully passes the ISO 14001 environmental management certification to achieve the goal of environmental sustainability.

During the Reporting Period, the Group has fully complied with all applicable requirements as set up by the laws and regulations regarding air and greenhouse gas emission including but not limited to "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)", "Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法)", "Atmospheric Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國大氣污染防治法)" and "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法)".

Emissions

During the Group's daily operations, goods delivery is one of the major activities that generate air pollutant, the significant increase of emissions is due to the newly bought vehicles. As at the Reporting Period, we own 3 motor vehicles and the air emission data with regard to vehicle emission is as follows:

Year ended 31 December	2019	2018
NOx emission *(in g)* [i]	**345,844.73**	348,313.88
SOx emission *(in g)*	**423.62**	371.50
PM emission *(in g)*	**33,138.57**	33,375.16

Greenhouse Gas Emission

Greenhouse gases generated from human activities is one of the significant drivers of global warming which affect the living of present and future generation. Therefore, the Group highly concern about the importance of monitoring and mitigating the greenhouse gas emission in our operations. As mentioned, the vehicle fuel combustion and cooking stoves gas consumption are the major activities that generate direct emissions from operations. In addition, indirect greenhouse gases emission is mainly resulted from the purchase of electricity within the Group.

In order to reduce the impact of greenhouse gases emission, greening plays a vital role in creating a more environmentally friendly working environment, the Group planted 370 trees in the Heyuan factory to reduce greenhouse gas emissions which amounted to 8.51 tonnes [ii]. The greenhouse gases emission generated from the mobile combustion of vehicle fuel is shown as follow:

Year ended 31 December	2019	2018
CO2 emission (Scope 1 only) *(in tonnes)*	**68.555**	60.371
CH4 emission (Scope 1 only) *(in tonnes)*	**0.064**	0.035
N2O emission (Scope 1 only) *(in tonnes)*	**5.796**	3.623

i The vehicles used by the Group are 2 light goods vehicles that consumes diesel as the major fuel and a light goods vehicle that consumes unleaded gasoline as the major fuel.

ii The greenhouse gas removal factor is referred to Environmental Protection Department's "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong".

On the other hand, the following is the greenhouse gases generated through the purchase of electricity used to support the equipment in the operation.

Year ended 31 December	2019	2018
Electricity consumption *(in kWh)*	**9,008,627**	8,725,784
Electricity consumption intensity *(kWh/m² floor area)*	**303.18**	293.66
Carbon emission (Scope 2 only) [iii] *(tonnes CO_2-e)*	**8,268.82**	7,567.82
Carbon intensity *(tonnes CO_2-e/m² floor area)*	**0.28**	0.25

Waste Management

During the Reporting Period, the Group has fully complied with all applicable requirements as set up by the laws and regulations regarding generation of hazardous waste and non-hazardous waste including but not limited to "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)" and the Law of China on Prevention and Control of Environmental Pollution by Solid Waste (中國固體廢物污染環境防治法).

In order to prevent hazardous wastes from polluting the environment and strengthen the management of hazardous wastes, the Group formulated a "Hazardous wastes management policy 危險廢物污染規範管理制度" in accordance with "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)". The Group prohibits any dumping of hazardous wastes into the environment; hazardous waste is separately collected, stored, transferred and disposed against non-hazardous waste; hazardous waste is stored in special container with clear label. The hazardous waste generated during our operation such as organic solvent waste (HW06), waste mineral oils (HW08), waste dyes and paints (HW12) are hazardous wastes stated on the National Catalogue of Hazardous Waste (國家危險廢物名錄). The Group has contracted a waste collection company listed in the "Construction Program for Hazardous Waste and Medical Waste Treatment Facilities in China" to handle those hazardous waste in accordance with the laws and regulations (全國危險廢物和醫療廢物處置設施建設規則).

iii The Group are accounting for Scope 2 carbon emission (indirect emission from consumption of purchased electricity) only. According to the emission factor of China's regional grid reference line released by the National Development and Reform Commission, the emission coefficient of the southern regional power grid in Guangdong is 0.9183 kg/kwh in 2019. While the emission coefficient of HK Electric is 0.80 according to HK Electric Sustainability Report 2018.

Year ended 31 December	2019	2018
Total Hazardous Waste Consumed *(in tonnes)*[iv]	**5.80**	7.88
Total Non-hazardous Waste Consumed *(in tonnes)*[v]	**378.36**	366.47
Total Gross Floor Area *(m²)*	**29,517.1**	29,517.1
Intensity of Hazardous Waste Consumed *(tonnes/m²)*	**0.00020**	0.00026
Intensity of Non-hazardous Waste Consumed *(tonnes/m²)*	**0.01282**	0.01241

In order to reduce the waste generation, the Group put effort to reduce the usage of waste at source. Our employees are receiving daily briefing before starting their work, they are fully understood with the job nature and requirements so that it gives less chance of making unnecessary wastage of raw materials as well as hazardous materials.

Packaging

The Group has engaged in packaging business especially in paper-based packaging. Packaging is specially designed based on the type of end products due to specific quality and safety requirement as requested by clients. The following is the usage of packaging materials during the Reporting Period:

Year ended 31 December	2019	2018
Total Packaging Material Used *(in tonnes)*	**901.92**	817.54
Total Gross Floor Area *(in m²)*	**29,517.10**	29,517.10
Intensity *(tonnes/m²)*	**0.03**	0.03

Energy Efficiency

The Group treasures the use of electricity. Through the implementation of a variety of measures established in "Electricity and water saving management policy (節約用電用水管理規定)", the Group are committed to achieve electricity conservation under the principal of saving, purifying and recycling:

- Air-conditioners are permitted to switch on only when the air temperature is above 28-degrees Celsius and should be turned off 30 minutes before office hour;
- Electronic equipment with Grade 1 energy efficiency labelling is preferential when acquisition requisition is made;
- All electronic equipment are switched off when they are not in operation;
- Lighting facilities are recommended to be turned off during lunch time, and the last employee who leave the office or factory must ensure that all lights are switched off.

iv Total hazardous waste includes organic solvent waste (HW06), waste mineral oils (HW08), waste dyes and paints (HW12), containers and cleansing sundries that contain or taint with hazardous wastes (HW49) and waste activated carbon (HW49).

v Total non-hazardous waste includes wrapping paper, paper core barrel and plastic tape.

Please refer to the section headed "Greenhouse Gas Emission" for information regarding the Group's electricity consumption during the Reporting Period.

The Group believes that by establishing the above "Electricity and water saving management policy (節約用電用水管理規定)", it will be effective in raising the awareness of employees' energy saving initiatives and reduce energy consumption in the long run.

Water Management

The Group has complied with the "Prevention and Control of Water Pollution Law (水污染防治法)" with an aim to prevent and control water pollution, protect and improve the environment and make sure the safety of drinking water. During the Reporting Period, we have no issue in sourcing water that is fit for purpose.

The Group treasures the preciousness of water resources. Through the implementation of a variety of measures established in "Electricity and water saving management policy 節約用電用水管理規定", the Group are committed to achieve water conservation under the principal of saving, purifying and recycling:

- Any water wastage phenomenon is prohibited;
- Water used for washing hand or fruit is used to flush the toilet;
- Any water leakage, breakage or other potential damage of water pipes are regularly inspected and identified;
- Meter reading is checked constantly for revealing any hidden leakage phenomena;
- Water-saving education and ideas of water-saving are continuously promoted among our employees.

The Group believes that by establishing the above "Electricity and water saving management policy 節約用電用水管理規定", it will be effective in raising the awareness of employees' water conservation initiatives and reduce water consumption in the long run.

During the Reporting Period, the water consumption condition is shown as follow:

Year ended 31 December	**2019**	2018
Water Consumption *(in m^3)*	**217,887.00**	132,862.83
Gross Floor Area *(in m^2)*	**29,714.10**	29,714.10
Intensity *(m^3/m^2)*	**7.332781407**	4.441923856

Environmental Protection

As a printing service provider, there is no significant consumption of natural resources and therefore the Group's activities do not have any significant impact on the environment. However, the Group is concerned about the natural resources consumed along the supply chain and it endeavours to select vendors that are environmentally and socially conscious. Details of vendor selection criteria are set out in the section headed "Supply Chain Management" below.

SOCIAL

Employment

The Group has put a lot of effort to make sure that the Group has strictly complied with a series of labor laws in People's Republic of China and Hong Kong including but not limited to "the Employment Contract Law of the People's Republic of China (中華人民共和國勞動合同法)", "Labor Law of the People's Republic of China (中華人民共和國勞動法)" and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). With reference to those laws and regulations, the Group has established "Employment policy 招聘制度", "Remuneration calculation and compensation policy 工資計算與補償政策" and "Anti-discrimination policy 反歧視政策" to ensure the employment protection with regard to compensation and dismissal, recruitment and promotion, working hours and rest periods, equal opportunity, diversity and anti-discrimination, and other benefits and welfare.

The Group believes that employees are the key asset and important component to business success, so the Group pay attention to personal growth of every employee and has set up various channels of communication with employees to enhance employees' sense of belonging to the Group. The Group are committed to improve human resources policies and workplace facilities so as to guarantee employees' health and safety at all time.

Occupational Health and Safety

During the Reporting Period, the Group has complied with the "Production Safety Law of the PRC (中華人民共和國生產法)", the "Labor Law of the PRC", the "Labor Contract Law of the PRC" and other relevant laws and regulations which stipulate requirements to maintain safe production conditions and to protect the occupational health of employees. The Group has been carrying out regular health examination for employees engaging in potential occupational hazards, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards. In order to strengthen the Group's occupational safety, improve working conditions and protect the personal interests of employees, the Group developed a "Production safety management policy 安全生產管理制度".

Within the "Production safety management policy 安全生產管理制度", it defines the role and responsibilities of safety managers with regard to the implementation of all types of safety education, safety inspection and safety risk; the safety manager should closely monitor the daily operations and make sure that all staff working in the factory are complied with those safety measures; employees should be punctual and attentive in all safety training and fire drill.

Furthermore, the Group has implemented safety measures at our production sites and established guidelines for work safety and occupational health safety including fire safety, warehouse safety, electricity safety, work-related injuries and emergency and evacuation procedures to minimize the risk of injury of employees. The Group maintain a general register with the records of accidents and dangerous occurrences. The Group has installed appropriate fire safety equipment with regular fire drills to provide fire prevention training to our staff. The Group also conduct training sessions for production staff on accident prevention and management. The Group has been awarded quality standard certification of OHSAS 18001 in respect of the occupational health and safety of our working environment.

Development and Training

The Group provides a series of training to our employees classified as orientation training, on-job training and specialized training, each of them caters for employees' personal growth and job requirements. Orientation training includes briefing on the Group's Code of Conduct and Environmental, Health and Safety training. On-job training would be provided to employees on various aspects including advanced knowledge and skills on machines operations, machinery and equipment safety training, training on gas safety in confined space for technicians and PPE training for factory employees. Specialized training is tailor made for selected employees such as ISO system training for system auditors.

In particular, all of our factory employees are well-trained for their upcoming job nature and requirements as they are required to attend briefing session conducted by their seniors who explain about operations techniques and precautions measures to be taken. Those daily briefings are crucial in preventing operation accidents from happening, reduce unqualified products that leads to wastage and ensure the quality of the final outputs to enhance customers' satisfaction.

Labor Standard

During the Reporting Period, the Group has strictly complied with a series of labor laws in People's Republic of China and Hong Kong including but not limited to "the Employment Contract Law of the People's Republic of China (中華人民共和國勞動合同法)", "Labor Law of the People's Republic of China (中華人民共和國勞動法)" and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

With the aim to protect the children of their childhood, prevent inappropriate physical and manual work for children and protect the free labor rights and employees' rights and interests, the Group stipulated "Child labor policy 童工和未成年工政策" and "Anti-forced labor policy 自由勞動與反對使用囚工政策" which have strict requirements on the recruitment process. Upon receipt of the candidate's resume, the Human Resources Department will conduct a thorough background check to ensure whether the personal data stated on the application form is true. During the job interview, the Group carefully examine and verify the applicant's original identity card and make detailed inquiries to applicants to ensure that the Group does not employ child labor and forced labor.

The Group strictly prohibit the uses of forced labor and child labor. If management discovers irregular employment of child labor or forced labor, the Group will immediately terminate the contract, ascertain the causes of such irregular employment and accountabilities of relevant recruitment staff to eliminate such practices. During the Reporting Period, the Group did not employ child labor and forced labor.

Supply Chain Management

The Group has established a "Purchase quotation process 採購部報價流程" to closely monitor the performance for the supplier to ensure the quality of raw materials. The Group believes that supply chain management can maximize customer value and achieve sustainable competitive advantages. The Group's goal is to maintain a long-term strategic partnership with suppliers with high renown, high-quality service and strong sense of social responsibility. The Group also regularly review the suppliers' performance and obtain relevant licenses in order to better control and guarantee the quality of their products and services.

As a printing service provider, the raw materials used by the Group in its ordinary business are mainly papers. The Group endeavors to work with FSC/CoC certified paper suppliers to ensure that the paper purchased and used in the production of printing products are matched with all applicable environmental protection and social responsibility requirements. On the other hand, the Group also obtained the FSC/CoC certificate of relevant papers in order to promote and support the used of FSC recycled paper, paperboard and printed paper products along the supply chain.

Product Quality Assurance

The Group has regularly entrusted chemical inspection companies to conduct chemical analysis of the ink and paper used in the production process. Those reports are reviewed by quality control department so as to ensure the standard of the ink and paper and avoid affecting the quality of subsequent printing process.

In order to effectively control unqualified products and prevent the unintended use and shipment of unqualified products, "Unqualified products control procedures 不合格控制程序" is specially formulated. Quality control department would initiate a corrective and preventive procedures to report unqualified samples selected from the production line with clear explanations of the problems so as to notify relevant production line to implement corrective measures such as full inspection, qualified goods selection, reproduction or scrap. Those corrective measures adopted by the production lines are recorded in the corrective and preventive report for future reference and to avoid recurrence of similar mistakes.

Besides, the Group has formulated "Improvement procedures 持續改進程序" with an aim to establish a sound improvement system to investigate and analyze the causes of potential and unqualified items, and take timely measures to prevent potential or unqualified recurrence or occurrence, so that the quality of products and services can be controlled and continuously improved.

Our Products and Service

During the Reporting Period, the Group has complied with the "Regulations on the Administration of Printing Industry (印刷業管理條例)" promulgated by the State Council and obtains relevant license for printing operations. During the Reporting Period, the Group also strictly followed the "Interim Provisions on the Qualifications of Printing Operations (印刷業經營者資格條件暫行規定)" promulgated by the General Administration of Press and Publication (the "**GAPP**") which specifies the qualifications required for the enterprises engaged in printing operations. According to this regulation, enterprises undertaking decoration and packaging printing shall have fixed production and operation place suitable for operation of printing. The Group integrates the concept of environmental protection into our internal management and daily operation activities and is honored with the ISO 14001 environmental management certification to achieve the goal of environmental sustainability.

In relation to export products, the Group strictly follows the requirements and corporate with the statutory authorities concerning the relevant laws and regulations which are set out in "Regulations for the Implementation of the Law of PRC on Import and Export Commodity Inspection (中華人民共和國進出商品檢驗法實施條例)" and coordinate with the compulsory inspection of our products regarding the quality, quantity, packaging and requirements for safety, hygiene, health, environmental protection and anti-fraud protection.

Anti-corruption

During the Reporting Period, the Group observed the "Criminal Law of the People's Republic of China (中華人民共和國刑法)", "Anti-Money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法)" and the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). Employees are strictly prohibited from engaging in illegal activities, including but not limited to bribery, fraud and misappropriation. Upon employment, all employees are requested to sign an "Anti-bribery & corruption commitment 反賄賂反腐敗承諾書" and promise to reject and not engaged in any commercial bribery and corruption related activities.

The Group will actively combat any money laundering using public or private accounts and ensure that there are no corruption and bribery within the Group. If employees want to report any suspicious corruption cases, they can report to the relevant management by telephone, e-mail or letter.

Community Investment

The Group understands that development of the enterprise depends on the support from the communities. Meanwhile, the Group has also shown the spirit of serving the communities where the Group operates and has been actively involved in community investment. The Group encourages our employees to participate and contribute to the society as a sustainable business is dependent on the stability and wellbeing of our community.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for FY19. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its Shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "**CG Code**").

During FY19, the Company has complied with the code provisions set out in the CG Code, except that Mr. Lam Tak Ling Derek ("**Mr. Lam**") is currently performing the roles of chairman and chief executive officer of our Company. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Mr. Lam's strong expertise in the printing industry, our Board considered that the roles of chairman and chief executive officer being performed by Mr. Lam enables more effective and efficient overall business planning, decision making and implementation thereof by our Group. In order to maintain good corporate governance and fully comply with such code provision, our Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

The Board will continue to monitor and renew the Company's corporate governance practices to ensure compliance with the CG Code.

The Board conducted reviews of the system of internal controls of the Group to ensure an effective and adequate internal control system is in place. The Board also conducted meetings to discuss financial, operational and risk management control.

BOARD OF DIRECTORS

Board responsibilities and Delegation

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as continuously monitoring and improving the internal control policies of the Group and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing the Shareholders' value. The independent non-executive Directors serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings. They are also serving on the Audit Committee, Remuneration Committee and Nomination Committee.

The Board has adopted a set of guidelines on matters that require its approval to achieve a clear division of the responsibilities of the Board and the management. Matters requiring the Board's approval include, among others, review of overall policies and objectives for corporate contributions and approval of corporate plan of the Company and any significant changes thereto, investment plans which would involve significant commitments of financial, technological or human resources, or would involve significant risks for the Company, significant sales, transfers, or other dispositions of property or assets, significant changes in policies of broad application, major organizational changes, approval of annual reports, and review of semi-annual and quarterly financial and operating results, other matters relating to the Company's business which in the judgment of the management are of such significance as to merit the Board's consideration, and adoption of such policies and the taking of such other actions as the Board deems to be in the best interests of the Company.

Minutes of Board meetings and Board committees meetings are kept by duly appointed secretaries of the respective meetings. All Directors have unrestricted access to Board papers and related materials and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

The Company has arranged appropriate insurance cover in respect of possible legal actions against its Directors and senior officers.

Responsibilities and Delegation

The Board is accountable to the Shareholders for the development of the Group with the goal of maximising Shareholders' value in the long run. The Board also takes the responsibility for the overall strategies and policies of the Group, approves and monitors the strategic plans, investment and funding decisions, and reviews the Group's financial and operational performance and internal controls. The Group's day-to-day operations and administration are overseen by the executive Directors and the management.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management of the Company. Some functions including the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial Shareholder or Director of the Company, the approval of interim and annual results, declaration of interim dividends and proposal of final dividends and other disclosures to the public or regulators are reserved by the Board for consideration and approval. Matters not specifically reserved to the Board and necessary for the daily management and operation of the Company are delegated to the executive Directors and the management of the Company.

Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the operations and business, constitutional documents, the latest published financial reports of the Company, "A Guide on Directors' Duties" issued by the Companies Registry of Hong Kong and the Guidelines for Directors and the Guide for independent non-executive Directors published by the Hong Kong Institute of Directors to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the GEM Listing Rules and other regulatory requirements.

The Company Secretary reports from time to time the latest changes and development of the GEM Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as organizing seminars on the professional knowledge and latest development of regulatory requirements related to directors' duties and responsibilities.

Pursuant to the requirements of the CG Code, all Directors should provide their records of continuous professional development to the Company. According to the records provided by the Directors, the training received by each of them during FY19 is summarised as follows:

	Training received *Notes*
Executive Directors	
Mr. Lam Tak Ling Derek	(1)(2)
Mr. Chan Yee Yeung	(1)(2)
Ms. Tse Yuen Shan Ivy	(1)(2)
Independent non-executive Directors	
Mr. Li Chung Hung	(1)(2)
Mr. Ong Chor Wei	(1)(2)
Mr. Yam Kam Kwong	(1)(2)

Notes:

(1) Reading articles/other materials in relation to legal and regulatory changes which are relevant for the Directors in discharging their duties.

(2) Participation in seminars/conferences/courses/workshops on subjects relating to directors' duties, and financial, legal and corporate governance matters.

All Directors as disclosed above confirmed that they have complied with Code Provision A.6.5 of the CG Code on directors' continuous professional development during FY19.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During FY19, the Company has encouraged all Directors to attend at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they are kept abreast with the latest requirements under the GEM Listing Rules. The Group has also adopted a policy to reimburse the Directors for any relevant training costs and expenses incurred concerning corporate governance and internal control.

Board Composition

The Board currently comprises three executive Directors and three independent non-executive Directors. The individual attendance records of each Director at the Board and Committees' meetings during FY19 are set out as follows:

	Meeting attended/Meetings held:					
Name of Director	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Annual general meeting	Extraordinary general meeting
Lam Tak Ling Derek	6/6	—	—	—	1/1	—
Chan Yee Yeung	6/6	—	—	—	0/1	—
Tse Yuen Shan Ivy	6/6	—	1/1	1/1	1/1	—
Li Chun Hung	6/6	4/4	1/1	1/1	1/1	—
Ong Chor Wei	6/6	4/4	1/1	1/1	1/1	—
Yam Kam Kwong	6/6	4/4	1/1	1/1	1/1	—

In compliance with Rules 5.05(1), 5.01(2) and 5.05A of the GEM Listing Rules, the Company has appointed a sufficient number of independent non-executive Directors with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual confirmation from each independent non-executive Director confirming his independence pursuant to rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors to be independent. The independent non-executive Directors and executive Directors ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards, rules and regulations, and that appropriate systems are in place to protect the interests of the Company and its Shareholders.

The term of appointment of each independent non-executive Director is three years, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company ("**Articles of Association**"). All independent non-executive Directors had attended the annual general meeting held on 10 May 2019.

The biographical details of the Directors are set out in the paragraph headed "Biographies Of Directors And Senior Management" in the section headed "Management Discussion And Analysis" of this Report. To the best knowledge of the Company, there are no financial, business, family or other material/relevant relationships between the Board members.

The Board has maintained a balance of skills and experiences appropriate for the requirements of the businesses of the Group. Its composition represents a mixture of management, accounts and finance, marketing, manufacturing and procurement with comprehensive experience in and exposure to diversified businesses. It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company.

BOARD COMPOSITION AND DIVERSITY POLICY

The Company has adopted the board diversity policy. The policy sets out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The composition and diversity policies of the Board is reviewed annually and regularly. The Board should ensure that its changes in composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board would diversify its members according to the Company's situations and need. While participating in nomination and recommendation of director candidates during the year, each member of the Board may consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management. The Board is to review the policy concerning diversity of Board members, and to disclose the policy or a summary of the policy in the, including any quantitative targets and standards and its progress with policy implementation.

During the FY19, the Board has reviewed the diversity of the Board and considered the Board composition and diversity policy appropriate.

CHAIRMAN AND CHIEF EXECUTIVES

The Board considered that it was important for the Chairman to have extensive experience in the field of printing industry, which is the most important business sector of the Group. The Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

EXECUTIVE DIRECTORS

The executive Directors namely Mr. Lam Tak Ling Derek, Mr. Chan Yee Yeung, Ms. Tse Yuen Shan Ivy are responsible for evaluating new potential business opportunities and investment opportunities and formulating and implementing business strategies to enhance the revenue growth of the Company. The management is responsible for implementing the business strategies formulated by the executive directors. There is no material relationship between the Board members.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Chun Hung is an independent non-executive Director of the Company. He has entered into a letter of appointment with the Company for a period of three years subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

Mr. Ong Chor Wei is an independent non-executive Director of the Company. He has entered into a letter of appointment with the Company for a period of three years subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

Mr. Yam Kam Kwong is an independent non-executive Director of the Company. He has entered into a letter of appointment with the Company for a period of three years subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

DIRECTORS' APPOINTMENT AND RE-ELECTION

The appointment of a new Director is made on the recommendation of the nomination committee ("**Nomination Committee**") of the Company or by the Shareholders in general meetings. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. 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.

Pursuant to article 108(a) of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office by rotation and all such retiring Directors being eligible, will offer themselves for re-election. Details of the Directors to be retired by rotation and, where applicable, subject to re-election at the forthcoming annual general meeting of the Company will be contained in the circular to be despatched to the Shareholders in due course. None of the Directors who are being proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Code of Conduct**"). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the year ended 31 December 2019.

COMMITTEES

As part of the corporate governance practices, the Board has established the Remuneration Committee, Nomination Committee and Audit Committee. The compositions of all the committees are set out below. The terms of reference of all committees are established in accordance with the principles set out in the CG Code.

REMUNERATION COMMITTEE

The Company established a Remuneration committee on 4 December 2017 with written terms of reference. The Remuneration Committee currently comprises one executive Director and three independent non-executive Directors, namely Ms. Tse Yuen Shan Ivy, Mr. Ong Chor Wei (Chairperson), Mr. Li Chun Hung and Mr. Yam Kam Kwong.

The primary duties of the Remuneration Committee are formulating remuneration policies, making recommendations to the Board on the remuneration packages of all Directors and senior management, and to review and approve the management's remuneration with reference to the Board's Corporate goals and objective.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 4 December 2017 with written terms of reference. The Nomination Committee currently comprises one executive Director and three independent non-executive Directors, namely Ms. Tse Yuen Shan Ivy (Chairperson), Mr. Li Chung Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong.

The primary duties of the Nomination Committee are reviewing the structure, size and composition of the Board, formulating relevant procedures for nomination of Directors, identifying qualified individuals to become members of the Board and making recommendations to the Board on the appointment or re-appointment of Directors.

The Nomination Committee has in place a nomination policy setting out the selection criteria and nomination procedures of Directors.

Selection Criteria

In assessing the suitability of a proposed candidate, the Nomination Committee would consider the certain factors such as the proposed candidate's reputation for integrity, accomplishment and experience in the industry which the Group operates, commitment in respect of available time and relevant interest and diversity in all its aspects as set out in the Board Diversity Policy adopted by the Company from time to time. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedure

Proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

The Committee Secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members. For filling a casual vacancy and/or as an addition to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

AUDIT COMMITTEE

The Company established an Audit Committee on 4 December 2017 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee currently comprises all the three independent non-executive Directors, namely Mr. Li Chung Hung (Chairperson), Mr. Ong Chor Wei and Mr. Yam Kam Kwong.

The Audit Committee should reviewed the annual, half-year and quarterly results of the Group for FY19. The Audit Committee has reviewed the annual results of the Group for FY19. The Audit Committee considered that the relevant consolidated financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been properly made.

The primary duties of the Audit Committee are to review the internal control policies annually, the financial reporting systems and procedures of the Group, to review consolidated financial statements and reports of the Group, and to review the terms of engagement and scope of audit work of the external auditors.

The Audit Committee, from time to time, will also conduct interviews with the Chairman and CEO and executive Directors for the effectiveness of internal controls and any potential enhancement to the internal control policies because of changes in rules and regulations as well as new developments in existing and new businesses.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for FY19, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable. As at 31 December 2019, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern, and accordingly prepared the accounts on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

EXTERNAL AUDITORS AND THEIR REMUNERATION

The Company engaged Deloitte Touche Tohmatsu ("**DTT**") as the Group's external auditors to conduct audit of the financial results of the Group for FY19.

The statement of DTT in respect of their reporting responsibilities on the consolidated financial statements for the Financial Year is set out in the Independent Auditor's Report included in the Report.

Details of the fee paid or payable to DTT for FY19 are as follows:

	HK$'000
2019 annual audit	1,136
Non-audit related service	14
	1,150

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the Shareholders and the assets of the Group against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The Audit Committee reviewed the overall effectiveness of the risk management and internal control systems and reported its findings and made recommendations to the Board. The Directors have conducted a review of the effectiveness of the Group's risk management and internal control systems for FY19. The Board would continue to assess the effectiveness of internal controls by considering the reviews performed by the Audit Committee and executive management.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management and Internal Control Systems

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The Company's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminate risks, of failure to achieve the business objectives of the Company and can only provide reasonable and not absolute assurance against material misstatement or loss. We have employed a bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas.

Main Features of Risk Management and Internal Control Systems

The key elements of the Company's risk management and internal control systems include keeping track of and documentation of identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk management approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievements of its objectives.

Process used to identify, evaluate and manage significant risks

During the process of risk assessment, the Board captures and identifies the key inherent risks that affect the achievements of its objectives by performing the followings:

- understanding organisational objectives and business processes;
- determining the risk appetite and establishing the risk assessment criteria;
- identifying the risks associated with achieving or not achieving the objectives and assessing the likelihood and potential impact of particular risks; and
- monitoring and evaluating the risks and the arrangements in place to address them.

The Board reviews the effectiveness of the Risk management and Internal Control Systems on a yearly basis by considering factors including but not limited to the followings:

- the changes since the last annual review in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment;
- the scope and quality of managements' monitoring of risk and of the internal control system, and where applicable, the work of its internal audit function and other third party consultants;
- the extent and frequency of the communication of the results of the monitoring to the Board or the audit committee;
- the incidence of significant control failings or weakness that has been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have a material impact on the Group's financial performance or condition; and
- the effectiveness of the Group's processes relating to financial reporting and Listing Rules Compliance given the Group's business and scale of operations and in order to adapt the most cost-effective method of conducting periodic revenues of the Group's internal controls, the Board has engaged on independent consultant BT Corporate Governance Limited ("**BTCGL**") to execute the internal control function. BTCGP has conducted an internal control review of the effectiveness of the Group's financial reporting procedures, systems and control for the period from 1 January 2019 to 31 December 2019 in accordance with the requirements under Code Provision C.2 of the Corporate Governance Code, according to the scope of review agreed and approved by the Audit Committee.

BTCGP responded to the Audit Committee and the Audit Committee was satisfied that there had been no major deficiency noted in the areas of the Group's risk management and internal control systems being reviewed after implementation of the recommendations on the internal control defects reported by BTCGP. The Audit Committee reviews annually the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures and has access to information necessary to fulfil its duties and responsibilities with respect to risk assessment and risk management. The Board has conducted a review of the risk management and internal control during the year under review. Accordingly, the Audit Committee and the Board considered the risk management and internal control systems to be effective and have been implemented with adequate resources during the year.

In the coming year, the Audit Committee continues to monitor the implementation and follow-up action on those suggestions and recommendations made by BTCGP as part of its follow-up review on the internal control and risk prevention measures.

Procedures and internal controls for the handling and dissemination of inside Information

The Board has already established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and waiver to the disclosure of inside information, and also compliance and reporting procedures. Every member of the senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Financial Controller, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide, the course of actions for rectifying the problem and avoiding recurrence.

COMPANY SECRETARY

Mr. Cheung Sum Chin ("**Mr. Cheung**") was appointed as the Company Secretary on 10 July 2017. Mr. Cheung has adequate knowledge on the Company to discharge his duty as the Company Secretary. Mr. Cheung is also responsible for advising the Board on corporate governance matters. In compliance with Rule 5.15 of the GEM Listing Rules, Mr. Cheung confirmed that he has taken no less than 15 hours of relevant professional training during FY19.

CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

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

(e) to communicate with various level of staff to ascertain the implementation of policies and procedures on corporate governance; and

(f) to review the Company's compliance with the code and disclosure requirement.

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Pursuant to article 64 of the Articles of Association, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by requisition in writing to the Board or the Company Secretary, to require an extraordinary general meetings to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

THE PROCEDURES BY WHICH ENQUIRES MAY BE PUT TO THE BOARD AND SUFFICIENT CONTACT DETAILS TO ENABLE THESE ENQUIRIES TO BE PROPERLY TREATED

Shareholders may send their enquiries and concerns to the principal place of business of the Company in Hong Kong at Flat 8, 17/F., Kodak House II, 39 Healthy Street East, North Point, Hong Kong, by post or by fax to (852) 8148 6756, for the attention of the Company Secretary and the Company Secretary will direct all enquiries and concerns to the Board.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Company Law (Revised) of Cayman Islands. However, Shareholders are welcome to suggest proposals relating to the operations, strategy and/or management of the group to be discussed at shareholders' meeting. Proposal shall be sent to the Board by written requisition.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update them with the latest business development and financial performance including the publication of quarterly, interim and annual reports, the publish and posting of notices, announcements and circulars on the GEM website and the Company's website in order to maintain a high level of transparency.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and timely manner by the Board is to facilitate the Shareholders as well as the investors to have a better understanding in relation to the business performance, operations and strategies of the Group.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during FY19.

USE OF IPO PROCEEDS

On 28 December 2017, the Company's shares were listed (the "**Listing**") on GEM and 250,000,000 new shares of HK$0.01 each were issued at HK$0.25. The net proceeds from the Listing was approximately HK$36.4 million after payment of transaction costs and listing expenses. As disclosed in the Company's announcement dated 21 September 2018, the Board has resolved to reallocate the remaining balance of the net proceeds. In the light of the current market condition, the Company considers that the demand for novelty and packaging products is high and the packaging production segment represents great potential to generate stable revenue to the Group despite the uncertainty in the economy due to the trade conflicts between China and the United States. Therefore, the Board has resolved to allocate most of the remaining net proceeds to the purchasing of machinery for upgrading our production equipment to enhance level of automation and production efficiency with an aim to expand the packaging production capacity of the Group. For further details, please refer to the announcement of the Company dated 21 September 2018. As at the date of this Report, utilisation of the net proceeds from the Listing is as follows:

	Revised utilization as disclosed in the announcement dated 21 September 2018	**Utilisation**	**Balance**
	HK$'000	*HK$'000*	*HK$'000*
Expansion of production capacity	20,399	11,461	8,938
Loan repayment	10,933	10,933	—
Expansion of sale and distribution network	1,466	821	645
General working capital	3,644	3,644	—

The directors have pleasure in presenting to the Shareholders their annual report and the audited consolidated financial statements of the Group for 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in production, distribution and printing of books, novelty and packaging products. Details of the principal activities of the subsidiaries are set out in note 32 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year.

BUSINESS REVIEW

A review of the Company's business, a discussion and analysis of the Group's performance during the year under review, the material factors underlying its results and financial position, and the future development of the Company's business have been set out in the Chairman's Statement and the Management Discussion and Analysis of this annual report. These discussions form part of this "Directors' Report".

The financial risk management objectives and policies of the Group are shown in note 28 to the consolidated financial statements.

An analysis of the Group's performance during FY19 using key financial performance indicators is set out in the Five-Year Financial Summary on page 111 of this annual report.

(A) Environmental policies and performance

The Board is aware that addressing environmental concerns is an important issue for contributing to the continuous development of society (along with the business activities of the Company).

An environmental policy and manual of procedures have been effective upon Listing which demonstrates the Group's commitment to environmental protection. All staff, subcontractors and suppliers are required to diligently implement the policy and the manual, which will be reviewed regularly in light of the Group's experience, feedback from staff, business development, current legislations and regulations.

(B) Compliance with laws and regulations

To the best knowledge and belief of the Directors, the Group's operation in Hong Kong has complied with the applicable laws and regulations in all material respects during the year ended 31 December 2019, and up to the date of this report.

(C) Key relationships with employees, customers and suppliers

The Directors are of the view that the Company has maintained good relationship with its employees, customers, suppliers and bankers.

RESULTS AND APPROPRIATIONS

The results of the Group for FY19 are set out in the consolidated statement of profit and loss and other comprehensive income on page 53.

The Board recommends the payment of a final dividend of HK0.4 cent per share for FY19 to be paid on or before 5 June 2020 (Friday) to the Shareholders whose names appear on the Company's register of members at the close of business on 15 May 2020 (Friday). The proposed final dividend are subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the "**AGM**") to be held on 8 May 2020 (Friday).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 5 May 2020 (Tuesday) to 8 May 2020 (Friday), both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 pm. on 4 May 2020 (Monday).

The proposed final dividend of HK0.4 cent per share is subject to the approval of the Shareholders at the AGM. The record date for the proposed final dividend is 15 May 2020 (Friday). For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 14 May 2020 (Thursday) to 15 May 2020 (Friday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, Shareholders must deliver their relevant share certificates and transfer forms to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4: 30 p.m. on 13 May 2020 (Wednesday) for registration of the relevant transfer.

ANNUAL GENERAL MEETING

The AGM will be held on 8 May 2020 (Friday). A notice convening the meeting will be issued and sent to the Shareholders in due course.

RESERVES

Movements in the reserves of the Group and of the Company during FY19 are set out in the consolidated statement of changes in equity on page 56 and note 31 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year under review are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2019 amounted to approximately HK$21,606,000, as calculated in accordance with the Companies Law of the Cayman Islands.

DIVIDEND POLICY

The Company strives for generating steady returns to the Shareholders. It is the policy of the Company, in considering the payment of dividends, to allow the Shareholders to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth. The dividend payout ratio shall be determined by the Board at its absolute discretion after taking into account of, among others, the following factors: (i) the Group's financial performance; (ii) retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group; (iii) the Group's working capital requirements, capital expenditure requirements and future expansion plans; (iv) the Group's liquidity position; and other factors that the Board deems relevant. There is no assurance that dividends will be paid in any particular amount for any given period.

SHARE OPTION SCHEME

The Company has a share option scheme (the "**Scheme**") which was adopted pursuant to a resolution of the Shareholders passed on 4 December 2017. The purpose of the Scheme is to attract, retain and motivate talented eligible participants (as defined below), to strive for future developments and expansion of the Group. The Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Group attained through their efforts and contributions.

The Scheme became effective on 4 December 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme. The terms of the Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

Under the Scheme, the Directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any eligible participants. Eligible participants refer to (i) any executive director or manager of or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (an "**Employee**"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an "**Executive**"); (ii) any director or proposed director (including an independent non-executive director) of any member of our Group; (iii) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (iv) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group; or a close associate (as defined under the GEM Listing Rules) of any of the foregoing persons.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme in any 12-month period up to and including the date of grant must not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer of grant of the option.

The exercise price shall be a price solely determined by the Directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share on the date of grant of the option.

No share options under the share option scheme were granted or exercised during the year under review nor remained outstanding as at 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the securities of the Company during FY19.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2019 are set out in note 32 to the consolidated financial statements.

DIRECTORS

The directors who have held office during the year under review and up to the date of this Report are as follows:

Executive Directors

Lam Tak Ling Derek
Chan Yee Yeung
Tse Yuen Shan Ivy

Independent non-executive Directors

Li Chun Hung
Ong Chor Wei
Yam Kam Kong, *JP*

DIRECTORS' SERVICE CONTRACTS

Our Company has entered into a service contract with each of our executive Directors, and a letter of appointment each of our independent non-executive Directors. Each of the service contracts and the letters of appointment is for an initial fixed term of three years commencing from the 28 December 2017, unless terminated by our Company by giving a notice of not less than six months in advance.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

Long positions

Ordinary shares of HK$0.01 each (the "Shares") of the Company

Name of director	Capacity	Number of ordinary shares held	Percentage of the share capital of the Company
Lam Tak Ling Derek ("**Mr. Lam**")	Held by controlled corporation *(note 1)*	675,000,000	67.5%
Chan Yee Yeung ("**Mr. Chan**")	Held by controlled corporation *(note 1)*	675,000,000	67.5%
Tse Yuen Shan Ivy ("**Ms. Tse**")	Held by controlled corporation *(note 2)*	75,000,000	7.5%

Notes:

(1) The Company is directly owned as to 67.5% by Master Sage Limited ("**Master Sage**"). Master Sage is directly owned as to 50% and 50% by Mr. Lam and Mr. Chan, respectively. By virtue of the SFO, each of Mr. Lam and Mr. Chan is deemed to be interested in the Shares held by Master Sage.

(2) The Company is directly owned as to 7.5% by Fortune Corner Holdings Limited ("**Fortune Corner**"). Fortune Corner is directly wholly owned by Ms. Tse. By virtue of the SFO, Ms. Tse is deemed to be interested in the Shares held by Fortune Corner.

Other than as disclosed above, none of the directors nor 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 at 31 December 2019.

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

As at 31 December 2019, the following shareholders and persons (not being a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Master Sage	Beneficial owner	675,000,000	67.5%
Fortune Corner	Beneficial owner	75,000,000	7.5%

Other than disclosed above, as at 31 December 2019, the Directors are not aware of any other persons who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year under review was the Company or any of its holding companies or subsidiary, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Please refer to note 10 to the consolidated financial statements on for details of the emoluments of the Directors and the five highest paid individuals of the Company.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not a contract of service with any Director or any person engaged in the full-time employment of the Company, were entered into or existed during FY19.

CHARITABLE DONATION

The Group has not made any charitable donation during the year ended 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 46.3% of the total sales for the year under review and sales to the largest customer included therein amounted to 12.9%. Purchases from the Group's five largest suppliers accounted for 38.7% of the total purchases for the year and purchases from the largest supplier included therein amounted to 16.9%.

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

CONNECTED TRANSACTIONS

The Group had not entered into any connected transaction during FY19. Related party transactions entered into by the Group during the year under review are disclosed in note 30 to the consolidated financial statements.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

As for as the Directors are aware, at no time during FY19 had the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries entered into any contract of significant or any contracts of significance for the provision of services by the controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

EQUITY-LINKED AGREEMENTS

Save for the Scheme as set out above, no equity-linked agreements were entered into by the Group during FY19 or subsisting at the end of FY19.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 10 to the consolidated financial statements, no contracts of significance to which the Company, or any of its holding companies or subsidiary, was a party and in which a Director or an entity connected with a Director (as defined under section 486 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)) had a material interest, either directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the securities of the Company during FY19.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on the information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this Report.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 111 to 112 of the annual report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN A COMPETING BUSINESS

None of the Directors and the controlling shareholders of the Company (as defined in the GEM Listing Rules) or their respective close associates (as defined in the GEM Listing Rules) 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, with the Group's business at any time for the year ended 31 December 2019.

Each of Mr. Lam Tak Ling Derek, Mr. Chan Yee Yeung and Master Sage Limited (together, the "**Covenantors**") entered into a deed of non-competition in favour of the Group (the "**Deed of Non-competition**") on 4 December 2017, details of which are set out in the section headed "Relationship with Our Controlling Shareholders — Deed of Non-competition" in the Prospectus.

The Company received from each of the Covenantors confirmation on their respective compliance of the non-competition undertaking under the Deed of Non-competition for the year ended 31 December 2018. The independent non-executive Directors have reviewed the compliance of such undertaking and evaluated the effective implementation of the Deed of Non-competition, and they were satisfied with the Covenantors' compliance with their undertaking.

EMOLUMENTS POLICY

The emolument policy for the employee of the Group is set up by the management on the basis of their merit, qualifications and competence. Under the emolument policy, the basis of determining the emolument payable to Directors is subject to the decision of the Remuneration Committee of the Company.

The emoluments of the Directors for FY19 are decided by the Board, having regard to the Group's operating results, their duties and responsibilities of the Group, individual performance and comparable market statistics, and have been reviewed by the Remuneration Committee of the Company during FY19.

PERMITTED INDEMNITY PROVISIONS

At no time during FY19 and up to the date of this Report, there was or is, any permitted indemnity provisions being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2019, the Company was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far as the Company is aware.

INTERESTS OF COMPLIANCE ADVISOR

As confirmed by the Group's compliance adviser, Red Sun Capital Limited (the "**Compliance Adviser**"), as at 31 December 2019, save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 31 May 2017 in connection with the Listing, none of the Compliance Adviser, its employees or associates (as defined in the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Group that have occurred since the end of the year under review.

AUDITOR

The consolidated financial statements of the Company for the year have been audited by Deloitte Touche Tohmatsu.

A resolution will be submitted to the AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our business partners, shareholders, staff and management for their continuous dedication, commitment and support.

On behalf of the Board
LAM TAK LING DEREK
CHAIRMAN

20 March 2020

Deloitte. 德勤

TO THE MEMBERS OF SMART GLOBE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Smart Globe Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 110, 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

TO THE MEMBERS OF SMART GLOBE HOLDINGS LIMITED (continued)
(incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables	
We identified the valuation of trade receivables as a key audit matter due to the estimation uncertainty inherent in management's expected credit loss ("ECL") assessment process. The Group uses provision matrix to calculate ECL for trade receivables. The provision rates are based on debtor's aging with common credit risk characteristic. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable, and available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, certain balances of trade receivables and those credit-impaired are assessed for ECL individually. As at 31 December 2019 and as disclosed in notes 4 and 16 to the consolidated financial statements, the carrying amount of trade receivables is HK$45,627,000, net of allowance for credit losses of HK$2,039,000.	Our procedures in relation to evaluating the valuation of trade receivables included: • Obtaining an understanding on the key controls over ECL assessment and evaluating management's process in determining the estimated loss rates and grouping of trade receivables; • Assessing the reasonableness of the estimated loss rates with reference to historical observed default rates over the life of the debtors and the forward-looking information applied by management of the Group; and • Testing, on a sample basis, the accuracy and completeness of the aging analysis to source documents including evidence of delivery and sales invoices.

TO THE MEMBERS OF SMART GLOBE HOLDINGS LIMITED (continued)
(incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

TO THE MEMBERS OF SMART GLOBE HOLDINGS LIMITED (continued)
(incorporated in the Cayman Islands with limited liability)

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

TO THE MEMBERS OF SMART GLOBE HOLDINGS LIMITED (continued)
(incorporated in the Cayman Islands with limited liability)

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Mak Chun Bon.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 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	**132,194**	123,812
Cost of sales		**(82,290)**	(79,389)
Gross profit		**49,904**	44,423
Other income	6	**1,642**	329
Reversal of allowance (allowance) for credit losses on trade receivables, net	28	**102**	(534)
Other gains and losses	7	**246**	731
Selling and distribution costs		**(7,453)**	(6,341)
Administrative expenses		**(15,753)**	(16,402)
Finance costs	8	**(377)**	(494)
Profit before taxation	9	**28,311**	21,712
Taxation	11	**(5,169)**	(3,874)
Profit for the year		**23,142**	17,838
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**(1,086)**	(2,933)
Total comprehensive income for the year		**22,056**	14,905
Earnings per share			
Basic (HK cents)	13	**2.31**	1.78

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	14	**36,824**	35,206
Current assets			
Inventories	15	**11,590**	10,690
Trade receivables, prepayments and deposits	16	**48,619**	51,782
Certificates of deposit	17	**2,989**	2,983
Tax recoverable		**—**	288
Bank balances and cash	18	**42,735**	29,429
		105,933	95,172
Current liabilities			
Trade and other payables	19	**16,071**	19,309
Contract liabilities	19	**177**	528
Taxation payable		**4,657**	259
Lease liabilities/obligations under finance leases			
— due within one year	20, 21	**2,530**	4,352
Bank borrowings	22	**—**	7,372
		23,435	31,820
Net current assets		**82,498**	63,352
Total assets less current liabilities		**119,322**	98,558
Non-current liabilities			
Lease liabilities/obligations under finance leases			
— due after one year	21	**—**	1,292
		—	1,292
Net assets		**119,322**	97,266

At 31 December 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	23	**10,000**	10,000
Reserves		**109,322**	87,266
Total Equity		**119,322**	97,266

The consolidated financial statements on pages 53 to 110 were approved and authorised for issue by the Board of Directors (the "Board") on 20 March 2020 and are signed on its behalf by:

LAM TAK LING DEREK
DIRECTOR

TSE YUEN SHAN IVY
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	10,000	43,645	12,290	363	16,063	82,361
Profit for the year	—	—	—	—	17,838	17,838
Other comprehensive expense — exchange differences arising from translation of a foreign operation	—	—	—	(2,933)	—	(2,933)
Total comprehensive (expense) income for the year	—	—	—	(2,933)	17,838	14,905
At 31 December 2018	10,000	43,645	12,290	(2,570)	33,901	97,266
Profit for the year	—	—	—	—	23,142	23,142
Other comprehensive expense — exchange differences arising from translation of a foreign operation	—	—	—	(1,086)	—	(1,086)
Total comprehensive (expense) income for the year	—	—	—	(1,086)	23,142	22,056
At 31 December 2019	10,000	43,645	12,290	(3,656)	57,043	119,322

Note: The special reserve of the Group represented the difference between the nominal value of the share capital of the Company and the nominal value of the share capital of CP Printing Limited ("CP Printing") pursuant to a group reorganisation in preparation for the listing of the Company's shares.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Operating activities		
Profit before taxation	**28,311**	21,712
Adjustments for:		
Interest expenses	**377**	494
Interest income	**(154)**	(36)
(Reversal of allowance) allowance for credit losses on trade receivables, net	**(102)**	534
Depreciation of property, plant and equipment	**5,506**	3,183
Loss (gain) on disposal of property, plant and equipment	**31**	(299)
Operating cash flows before movements in working capital	**33,969**	25,588
Increase in inventories	**(1,116)**	(2,610)
Decrease (increase) in trade receivables, prepayments and deposits	**3,206**	(20,401)
Decrease in trade and other payables	**(3,045)**	(15,967)
(Decrease) increase in contract liabilities	**(351)**	528
Cash generated from (used in) operations	**32,663**	(12,862)
People's Republic of China ("PRC") Enterprise Income Tax paid	**(475)**	(79)
Hong Kong Profits Tax paid	**—**	(5,285)
Net cash from (used in) operating activities	**32,188**	(18,226)
Investing activities		
Proceeds received on maturity of certificates of deposit	**2,983**	3,003
Interest received	**154**	36
Proceeds from disposal of property, plant and equipment	**10**	520
Purchase of property, plant and equipment	**(4,742)**	(4,629)
Purchase of certificates of deposit	**(2,989)**	(2,983)
Net cash used in investing activities	**(4,584)**	(4,053)

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Financing activities		
New bank borrowings raised	**10,359**	7,372
Repayments of bank borrowings	**(17,731)**	(6,743)
Repayments of lease liabilities/obligations under finance leases	**(6,203)**	(5,353)
Interest paid	**(377)**	(494)
Proceeds from the issue of shares	**—**	56,250
Repayment of other borrowing	**—**	(21,037)
Net cash (used in) from financing activities	**(13,952)**	29,995
Net increase in cash and cash equivalents	**13,652**	7,716
Cash and cash equivalents at beginning of the year	**29,429**	22,398
Effect of foreign exchange rate changes	**(346)**	(685)
Cash and cash equivalents at end of the year, representing bank balances and cash	**42,735**	29,429

1. GENERAL

Smart Globe Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The ultimate holding company is Master Sage Limited ("Master Sage"), a company incorporated in the British Virgin Islands (the "BVI"), which is ultimately controlled by Mr. Lam Tak Ling Derek ("Mr. Lam") and Mr. Chan Yee Yeung ("Mr. Chan").

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

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

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 32.

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 Company and its subsidiaries (collectively referred to as the "Group") has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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 in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 "Leases" ("HKFRS 16")

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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 "Leases" ("HKFRS 16") (continued)

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 standard 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

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

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. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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 used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 "Leases" ("HKFRS 16") (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 5.59% per annum.

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	1,042
Lease liabilities discounted at relevant incremental borrowing rate	878
Add: Termination option reasonably certain not to be exercised by the Group	2,236
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	3,114
Add: Obligations under finance leases recognised at 31 December 2018	5,644
Lease liabilities as at 1 January 2019	8,758
Analysed as	
Current	6,207
Non-current	2,551
	8,758

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 "Leases" ("HKFRS 16") (continued)

As a lessee (continued)

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

	HK$'000
Right of use assets relating to operating leases recognised upon application of HKFRS 16	3,114
Amounts included in property, plant and equipment as at 31 December 2018	
— Assets previously under finance lease *(note)*	11,998
	15,112
By class:	
Plant and office	3,114
Machineries	11,998
	15,112

The management of the Group considered that the discounting impact arising from the refundable deposits paid is immaterial.

Note: In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under leases as at 1 January 2019 amounting to HK$11,998,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$4,352,000 and HK$1,292,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 "Leases" ("HKFRS 16") (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the 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	Adjustments	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$000	*HK$000*	***HK$000***
Non-current assets			
Property, plant and equipment			
— Machineries	34,370	(11,998)	**22,372**
— Leased machineries	—	11,998	**11,998**
— Leased properties	—	3,114	**3,114**
Current liabilities			
Obligations under finance leases	(4,352)	4,352	**—**
Lease liabilities	—	(6,207)	**(6,207)**
Non-current liabilities			
Obligations under finance leases	(1,292)	1,292	**—**
Lease liabilities	—	(2,551)	**(2,551)**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

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 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 positions 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the 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 basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 "Leases" (before application of HKFRS 16), and measurement 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 entity controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into 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.

Revenue from contracts with customers

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 the customer.

A performance obligation represents a good or service (or a bundle of goods or 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 or 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.

The revenue of the Group arising from production, distribution and printing of books, novelty and packaging products is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from these sales is recognised when control of the goods has transferred, being when the goods have been shipped to customer's specified location, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes.

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

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position and is amortised over the lease term on straight-line basis. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

Before application of HKFRS 16, 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.

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.

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

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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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

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.

The management of the Group considered that the discounting impact arising from the refundable deposits paid is immaterial.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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

Lease liabilities (continued)

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, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in, first-out method. In the case of work in progress and finished goods, cost comprises cost of direct materials, direct labour and an appropriate proportion of overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade recoverable arising from contracts with customers which was initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

Classification and subsequent measurement of financial assets

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 collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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 from the next reporting period. If 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 from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, certificates of deposit and bank balances) which are subject to impairment under HKFRS 9. 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, 12-month ECL ("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 without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

(i) Significant increase in credit risk

In assessing whether the credit risk 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:

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

- 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; or

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

The Group considers an event of default occurs when 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, 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) 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;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) 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, for example, 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 one year 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) 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. Estimation of ECL reflects an unbiased and probability — weighted amount that is determined with respective risk of default occurring as the weights.

Generally, 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 effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

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 entity.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 entered into 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 the group entities after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

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

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 is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible assets are estimated individually. 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. When 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 (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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 asset 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 the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the 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 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 in profit or loss immediately.

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 exchanges 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 foreign operation are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. 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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Retirement benefit costs

Payments to government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment arrangement

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

For share awards that vest immediately at the date of grant, the difference between the fair value of the shares to which the counterparty has received and the price the counterparty is required to pay for those shares is expensed immediately to profit or loss.

Borrowing costs

All borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the period in which they are incurred.

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 taxation 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 difference 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 assets 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of 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 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 on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax asset and liabilities are offset when there is a legally enforceable right to set off current tax assets against tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumption 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, is described below.

Provision of ECL for trade receivables

The ECL on trade receivables are assessed individually and/or collectively using a provision matrix. The provision rates are based on debtor's aging with common credit risk characteristic. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable, and available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, certain balances of trade receivables and those 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 28 and 16 respectively.

As at 31 December 2019, the carrying amount of trade receivables is HK$45,627,000 (2018: HK$46,452,000), net of allowance for credit losses of HK$2,039,000 (2018: HK$2,141,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received or receivable from production and printing of books, novelty and packaging products. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specified location. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 60 to 120 days upon delivery.

All sales contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE AND SEGMENT INFORMATION (continued)

The disaggregated information of revenue by types of products sold are as follows:

	2019 HK$'000	2018 HK$'000
Revenue recognised at a point in time		
Books products	**109,298**	101,743
Novelty and packaging products	**22,896**	22,069
	132,194	123,812

The Group's operating activities are attributable to a single operating segment focusing on production, distribution and printing of books, novelty and packaging products. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies that conform to HKFRSs and are regularly reviewed by the executive directors of the Company, being the chief operating decision maker ("CODM"). Accordingly, the Group has only one operating segment. No further discrete financial information nor analysis of this single segment is presented as the CODM reviews the financial information of the Group as a whole.

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the geographical location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers	
	2019 HK$'000	2018 HK$'000
Hong Kong	**52,876**	42,495
United States	**31,324**	13,631
United Kingdom	**15,618**	37,509
Netherlands	**13,761**	16,218
Australia	**6,898**	—
The PRC	**5,097**	10,818
Others	**6,620**	3,141
	132,194	123,812

5. REVENUE AND SEGMENT INFORMATION (continued)

	Non-current assets	
	2019	2018
	HK$'000	*HK$'000*
The PRC	**36,675**	35,184
Hong Kong	**149**	22
	36,824	35,206

Revenue from customers contributing over 10% of total revenue of the Group during the year are as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer I	**17,110**	21,222
Customer II	**N/A[1]**	15,830

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Government grant *(note)*	**1,179**	271
Bank and other interest income	**154**	36
Sundry income	**309**	22
	1,642	329

Note: Government grants represent export incentive and other incentive payments received by the Group from the relevant government department. There are no unfulfilled conditions attached to those grants.

7. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Net exchange gain	**277**	432
(Loss) gain on disposal of property, plant and equipment	**(31)**	299
	246	731

8. FINANCE COSTS

	2019 **HK$'000**	2018 HK$'000
Interest on:		
Lease liabilities/obligations under finance leases	**276**	322
Bank borrowings	**101**	12
Other borrowing	**—**	160
	377	494

9. PROFIT BEFORE TAXATION

	2019 **HK$'000**	2018 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(Note 10)*	**1,644**	1,602
Other staff costs		
— Salaries and allowances	**23,165**	27,840
— Retirement benefit schemes contributions	**2,583**	3,398
Total staff costs	**27,392**	32,840
Depreciation of property, plant and equipment	**5,506**	3,183
Auditor's remuneration	**1,104**	1,086
Cost of inventories recognised as an expense *(Note)*	**82,290**	79,389
Operating lease rentals in respect of rented premises	**—**	2,016

Note: Cost of inventories includes HK$24,053,000 (2018: HK$29,257,000) relating to the aggregate amount of staff costs and depreciation, which are also included in the respective total amounts for each of these types of expenses as disclosed above.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

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

Directors' and chief executive's remuneration for the year is as follows:

	Fees	Salaries and allowances	Discretionary bonus	Retirement benefit schemes contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2019					
Executive directors					
Mr. Lam*	120	258	32	18	428
Mr. Chan	120	258	32	18	428
Ms. Tse Yuen Shan Ivy ("Ms. Tse")	120	258	32	18	428
Independent non-executive directors					
Li Chun Hung ("Mr. Li")	120	—	—	—	120
Ong Chor Wei ("Mr. Ong")	120	—	—	—	120
Yam Kam Kwong, *JP* ("Mr. Yam")	120	—	—	—	120
	720	774	96	54	1,644
For the year ended 31 December 2018					
Executive directors					
Mr. Lam*	120	238	32	18	408
Mr. Chan	120	236	33	18	407
Ms. Tse	120	238	51	18	427
Independent non-executive directors					
Mr. Li	120	—	—	—	120
Mr. Ong	120	—	—	—	120
Mr. Yam	120	—	—	—	120
	720	712	116	54	1,602

* Mr. Lam is also the chief executive of the Company.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and the chief executive's emoluments (continued)

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

The discretionary bonus is determined with reference to the operating results, individual performance and market condition during the relevant year.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

(b) Employees' emoluments

During the year ended 31 December 2019, the five individuals with the highest emoluments in the Group, 3 (2018: 3) were directors of the Company, and whose emoluments are included in the disclosures above. The emoluments of the remaining 2 (2018: 2) individuals are as follows:

	2019	2018
	HK$'000	*HK$'000*
Employees		
— salaries and allowances	**898**	863
— discretionary bonus	**76**	50
— retirement benefit schemes contributions	**36**	36
	1,010	949

Their emoluments were within the following band:

	2019	2018
	Number of employees	
Nil to HK$1,000,000	**2**	2

During the year ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emoluments during the reporting period.

11. TAXATION

	2019	2018
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Charge for the year	**4,477**	3,396
Underprovision in prior years	**42**	110
	4,519	3,506
PRC Enterprise Income Tax		
Charge for the year	**618**	349
Underprovision in prior year	**32**	19
	650	368
	5,169	3,874

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 will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

11. TAXATION (continued)

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

	2019 **HK$'000**	2018 HK$'000
Profit before taxation	**28,311**	21,712
Tax charge at the Hong Kong Tax Rate of 16.5%	**4,671**	3,582
Tax effect of expenses not deductible for tax purpose	**388**	107
Tax effect of income not taxable for tax purpose	**(23)**	(5)
Income tax at concessionary rate	**(165)**	(165)
Underprovision in prior year	**74**	129
Effect of different tax rates of group entity operating in other jurisdictions	**224**	226
Taxation charge	**5,169**	3,874

No provision for deferred taxation has been recognised for temporary differences as the amount involved is insignificant.

12. DIVIDENDS

No dividend has been paid or proposed for ordinary shares of the Company during the year ended 31 December 2019. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HK0.4 cent (2018: nil for the year ended 31 December 2018) per ordinary share, in an aggregate amount of HK$4,000,000 (2018: nil), has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the following data:

	2019 **HK$'000**	2018 HK$'000
Profit for the year attributable to owners of the Company	**23,142**	17,838

	2019 **'000**	2018 '000
Weighted average number of ordinary shares	**1,000,000**	1,000,000

No diluted earnings per share is presented as there were no potential ordinary shares in issue during the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Leased properties *HK$'000*	Leased machineries *HK$'000*	Machineries *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
COST					
At 1 January 2018	—	—	43,982	813	44,795
Additions	—	—	3,856	773	4,629
Disposal	—	—	(298)	—	(298)
Exchange adjustments	—	—	(2,423)	(44)	(2,467)
At 31 December 2018	—	—	45,117	1,542	46,659
Adjustments upon application of HKFRS 16	3,114	15,232	(15,232)	—	3,114
At 1 January 2019 (restated)	3,114	15,232	29,885	1,542	49,773
Additions	—	—	4,742	—	4,742
Disposal	—	—	(61)	—	(61)
Exchange adjustments	(45)	(282)	(632)	(16)	(975)
At 31 December 2019	3,069	14,950	33,934	1,526	53,479
DEPRECIATION					
At 1 January 2018	—	—	8,282	629	8,911
Provided for the year	—	—	3,101	82	3,183
Disposal	—	—	(77)	—	(77)
Exchange adjustments	—	—	(559)	(5)	(564)
At 31 December 2018	—	—	10,747	706	11,453
Adjustments upon application of HKFRS 16	—	3,234	(3,234)	—	—
At 1 January 2019 (restated)	—	3,234	7,513	706	11,453
Provided for the year	1,868	691	2,838	109	5,506
Disposal	—	—	(20)	—	(20)
Exchange adjustments	(22)	(71)	(187)	(4)	(284)
At 31 December 2019	1,846	3,854	10,144	811	16,655
CARRYING VALUES					
At 31 December 2019	1,223	11,096	23,790	715	36,824
At 31 December 2018	—	—	34,370	836	35,206

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leased properties	Over the shorter of the term of the leases, or 20 years
Leased machineries	Over the useful life of 20 years
Machineries	5% or 10%
Furniture, fixtures and equipment	10% or 20%

The carrying value of machineries at 31 December 2018 included an amount of HK$11,998,000, in respect of assets held under finance leases.

The Group as lessee

Right-of-use assets (included in the property, plant and equipment)

	Leased properties HK$'000	Leased machineries HK$'000	Total HK$'000
As at 1 January 2019			
Carrying amount	3,114	11,998	15,112
As at 31 December 2019			
Carrying amount	1,223	11,096	12,319
For the year ended 31 December 2019			
Depreciation charge	1,868	691	2,559
Interest expense on lease liabilities	130	146	276
Total cash outflow for leases	1,981	4,498	6,479

For both years, the Group leases various properties and machineries for its operations. Lease contracts were entered into for fixed term of 2 to 5 years. Certain leases of machineries were accounted for as finance leases during the year ended 31 December 2018 and carried interest at variable rates at Hong Kong Dollar Best Lending Rate ("HKDBLR") less 1.5% per annum. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group as lessee (continued)

Right-of-use assets (included in the property, plant and equipment) (continued)

No extension options are included in all lease agreements entered by the Group. The Group has a termination option in one of the leases. As at 31 December 2019, lease liabilities include an amount of HK$1,122,000 relating to termination option reasonably certain not to be exercised by the Group. There are no other potential termination options and potential future lease payments not included in lease liabilities as at 31 December 2019. The Group assesses at lease commencement date whether it is reasonably certain not to exercise the termination option. In addition, the Group reassesses whether it is reasonably certain not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2019, there is no such triggering event.

As at 31 December 2019, the Group's right-of-use assets amounted to HK$135,000 were located in Hong Kong and the remaining were located in the PRC. The leased machineries are reasonably certain to obtain the ownership at the end of the leases. The related leased agreements do not imposed any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The related leases have no terms of renewal or escalation clauses. No arrangements have been entered into for contingent rental payments.

15. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw materials	**7,273**	5,050
Work in progress	**1,719**	2,297
Finished goods	**2,598**	3,343
	11,590	10,690

16. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2019 HK$'000	2018 HK$'000
Trade receivables	**47,666**	48,593
Less: Allowance for credit losses	**(2,039)**	(2,141)
	45,627	46,452
Rental deposits	**171**	171
Prepayments and deposits	**2,821**	5,159
Total trade receivables, prepayments and deposits	**48,619**	51,782

As at 1 January 2018, trade receivables from contracts with customers amounted to HK$29,623,000.

The Group allows credit period ranging from 60 to 120 days. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the goods delivery date, which were the respective revenue recognition dates, at the end of reporting period:

	2019 HK$'000	2018 HK$'000
Within 30 days	**10,507**	16,983
31 to 60 days	**10,498**	6,297
61 to 90 days	**5,720**	7,330
Over 90 days	**18,902**	15,842
	45,627	46,452

Included in trade and other receivables are the following amounts denominated in currencies other than functional currencies of the respective group entities:

	2019 HK$'000	2018 HK$'000
United States Dollars ("US$")	**30,515**	26,508

Included in the trade receivables balance as at 31 December 2019 is amount of HK$116,000 (2018: HK$340,000), which goods were delivered but invoices not yet issued.

16. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

Before accepting any new customer, the Group will internally assess the potential customer's credit quality and defines credit limits by customers. The directors of the Company closely monitor the credit quality and follow up actions will be taken if overdue debts are noted. Credit limits attributed to customers and credit term granted to customers are reviewed on a regular basis. To the extent available, the Group also maintains export credit insurance for customers. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$21,261,000 (2018: HK$15,990,000), which are past due at the end of the reporting period. Out of the past due balances, HK$2,727,000 (2018: HK$225,000) has been past due over 90 days or more and is not considered as in default, as the Group considered such balances could be recovered based on historical experience and reference to subsequent settlement. The Group does not hold any collateral over these balances.

As at 31 December 2019, included in the Group's trade receivables are balances of HK$1,019,000 (2018: HK$960,000) due from a related party, which is a company wholly-owned by Ms. Tse, key management personnel of the Group, and her family. The amounts are repayable within three months from the goods delivery dates.

Details of impairment assessment of trade receivables are set out in note 28.

17. CERTIFICATES OF DEPOSIT

As at 31 December 2019, the certificates of deposit carry fixed interest from 1.6% to 1.75% per annum (2018: 1.5% to 1.78% per annum) and will mature in 2020 (2018: mature in 2019). The certificates of deposit have been pledged as security for the Group's bank facility. Details of impairment assessment are set out in note 28.

18. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates of 0.001% to 2.2% per annum as at 31 December 2019 (2018: 0.001% to 2.2% per annum). Details of impairment assessment are set out in note 28.

Also, included in bank balances are the following amounts denominated in currencies other than the functional currencies of the respective group entities:

	2019	2018
	HK$'000	*HK$'000*
US$	**1,151**	2,260

19. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

Trade and other payables

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**9,535**	11,668
Accrued expenses	**5,279**	6,092
Other payables	**1,257**	1,549
Total trade and other payables	**16,071**	19,309

The credit period of trade payables is 30 to 90 days.

The following is an aged analysis of trade payables based on the invoice date at the end of reporting period:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**8,628**	9,282
31 to 60 days	**726**	1,922
61 to 90 days	**94**	190
Over 90 days	**87**	274
	9,535	11,668

Included in trade and other payables are the following amounts denominated in currencies other than functional currencies of the respective group entities:

	2019	2018
	HK$'000	*HK$'000*
Renminbi ("RMB")	**328**	433
US$	**916**	—

19. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES (continued)

Contract liabilities

	2019	2018
	HK$'000	*HK$'000*
Contract liabilities on sales of books, novelty and packaging products	**177**	528

During the year ended 31 December 2019, an amount of HK$528,000 (2018: nil) is recognised as revenue.

No contract liabilities noted as at 1 January 2018.

Contract liabilities represent deposits received in advance for the sales of books, novelty and packaging products. For certain of the Group's customers, the Group will receive a deposit of 40% before production commences, giving rise to contract liabilities until revenue is recognised.

20. LEASE LIABILITIES

As at 31 December 2019, lease liabilities amounting to HK$2,530,000 are all due for settlement within one year and shown under current liabilities. The lease agreements did not contain any contingent rent for leasee.

The weighted average incremental borrowings rates applied is 4.99%.

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 31.12.2018 *HK$'000*	Present value of minimum lease payments 31.12.2018 *HK$'000*
Amounts payable under finance leases:		
Within one year	4,498	4,352
More than one year but not more than two years	1,302	1,292
	5,800	5,644
Less: Future finance charges	(156)	N/A
Present value of lease obligations	5,644	5,644
Less: Amount due for settlement within one year (shown under current liabilities)		(4,352)
Amount due for settlement after one year		1,292

The Group has obligations under finance leases in respect of certain of its machineries. The lease terms ranges from 1 to 3 years. Interest rates underlying the obligations under these finance leases are at variable rates at HKDBLR less 1.5% per annum. These leases have no terms of renewal or escalation clauses. No arrangements have been entered into for contingent rental payments.

The effective interest rate ranged from 3.75% to 4.00% per annum for the year ended 31 December 2018.

22. BANK BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Secured	—	7,372

The bank borrowings were repaid in full during the year ended 31 December 2019. As at 31 December 2018, the carrying amounts of the above borrowings were all repayable within one year and contained a repayment on demand clause. The secured bank borrowings are secured by the certificates of deposit and assignment of receivables of the respective group entity.

As at 31 December 2018, the Group's bank borrowing that was denominated in currency other than the functional currency of the respective group entity, which was denominated in US$, amounted to HK$2,538,000. The bank borrowing was interest bearing at variable rate at United State Dollar Best Lending Rate ("USDBLR") per annum.

As at 31 December 2018, the bank borrowing amounting to HK$4,834,000 was interest bearing at variable rates at HKDBLR less 2.25% per annum.

The effective interest rates (which were also equal to contracted interest rates) of the Group's bank borrowings were ranged from 2.75% to 5.00% per annum for the year ended 31 December 2018.

23. SHARE CAPITAL

The share capital as at 31 December 2019 and 31 December 2018 represents the issued share capital of the Company with details as follows:

	Number of shares	**Share capital**
		HK$000
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	2,000,000,000	20,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 31 December 2019	1,000,000,000	10,000

24. OPERATING LEASE

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

	31.12.2018 *HK$'000*
Within one year	925
In the second to fifth year inclusive	117
	1,042

Operating lease payments represent rentals payable by the Group for its plant and office. Leases are negotiated for terms of two to five years.

25. RETIREMENT BENEFITS SCHEME

The Group participates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,500 per month for each employee.

The employees employed by the PRC subsidiary are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of the payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

During the year ended 31 December 2019, the amounts of contributions recognised by the Group are HK$2,637,000 (2018: HK$3,452,000).

26. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 4 December 2017, a share option scheme (the "Scheme") was adopted for the primary purpose of providing incentives to directors, employees and eligible participants. The Scheme shall be valid and effective for a period of 10 years commencing on 28 December 2017.

Under the Scheme, the Board of the Company may grant options to directors, employees, consultants, advisers, agents, vendors, suppliers of goods or services and customers of the Company and its subsidiaries and entities in which the Group holds equity interest at the discretion of the Board pursuant to the terms of the scheme, to subscribe for shares of the Company at a price which shall not be less than the highest of (i) the closing price of a share of the Company listed on GEM of the Stock Exchange at the date of grant of the option; (ii) the average of the closing price of a share of the Company on GEM of the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of a share of the Company.

26. SHARE OPTION SCHEME (continued)

The maximum number of shares in respect of which options shall be granted under the Scheme and any other share option schemes of the Company is 10% of the total number of shares in issue at the date of approval of adoption of the Scheme. No director, employee or eligible participant may be granted options under the Scheme which will enable him or her if exercise in full to subscribe for more than 1% of the issued share capital of the Company in any 12-month period. The option period for which the options granted can be exercisable, shall be such period as notified by the Board of Directors, save that it shall not be more than 10 years from the date of grant subject to the terms of the Scheme. Nominal consideration of HK$1 is payable on acceptance of each grant and the share options granted shall be accepted within 28 days from the date of grant.

No share option was granted or remained outstanding under the Scheme during year.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities 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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 22, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as the issue of new debts.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 ***HK$'000***	2018 *HK$'000*
Financial assets		
Financial assets at amortised cost	**91,522**	78,864
Financial liabilities		
Amortised cost	**10,792**	20,589

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, certificates of deposit, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk, and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The subsidiaries of the Company have sales and purchases denominated in currencies other than their functional currencies, which exposes the Group to foreign currency risk.

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

	Assets		**Liabilities**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
RMB	**—**	—	**328**	433
US$	**31,666**	28,768	**916**	2,538

Sensitivity analysis

The group entities are mainly exposed to the exchange rate risk on HK$ against RMB for the foreign currency denominated monetary assets and liabilities. The sensitivity analysis excludes balances which are denominated in US$ since HK$ is pegged to US$.

The following table details the group entity's sensitivity to a 5% strengthening in functional currency of the relevant group entity against the RMB. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and 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 when the functional currency of the relevant group entity strengthens 5% against the relevant foreign currency. For a 5% weakening of functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on the post-tax profit.

	RMB impact	
	2019	2018
	HK$'000	*HK$'000*
Increase in profit for the year	**14**	18

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management of the Group monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

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

Interest rate risk

The Group's bank balances, bank borrowings and lease liabilities/obligations under finance leases have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The management of the Group considers the Group's exposure of the short-term bank balances to interest rate risk is not significant as interest bearing bank balances are within short maturity period.

The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HKDBLR and USDBLR arising from the Group's bank borrowings and lease liabilities/obligations under finance leases.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for the bank borrowings and lease liabilities/obligations under finance leases. 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 points increase or decrease is used for bank borrowings and lease liabilities/obligations under finance leases when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would decrease/increase by HK$11,000 (2018: HK$54,000).

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statement of financial position.

As at 31 December 2019, the Group has concentration of credit risk on trade receivables from the Group's largest customer amounting to HK$6,293,000 (2018: HK$9,207,000), representing approximately 14% (2018: 20%) of the total trade receivables. As at 31 December 2019, trade receivables from the five largest customers amounts to HK$21,982,000 (2018: HK$26,399,000), representing approximately 48% (2018: 57%) of the total trade receivables. The Group reviews the recoverable amount of each individual trade receivable regularly to ensure that adequate credit losses are made for irrecoverable amounts.

In order to minimise the credit risk of trade receivables arising from contracts with customers, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual trade receivable at the end of reporting period to ensure that adequate credit losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually or based on provision matrix. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for trade receivables.

Management of the Group assessed the ECL on trade receivables individually by estimation based on historical credit loss experience, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

In addition, the management of the Group is of the opinion that there has no default occurred for trade receivables past due 90 days and the balances are still considered fully recoverable due to long term/on-going relationship and good repayment record from these customers.

Debtors that were assessed to be credit-impaired with gross carrying amounts of HK$1,796,000 as at 31 December 2019 (2018: HK$1,956,000) were assessed individually.

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers have common credit risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2019 and 2018 within lifetime ECL (not credit-impaired).

At 31 December 2019

	Gross carrying amount *HK$'000*	**Average loss rate** *%*	**Loss allowance** *HK$'000*	**Net carrying amount** *HK$'000*
Trade receivables				
Not past due	**24,407**	**0.2**	**41**	**24,366**
0 to 30 days past due	**13,704**	**0.5**	**62**	**13,642**
31 to 60 days past due	**4,330**	**1.3**	**56**	**4,274**
61 to 90 days past due	**624**	**1.3**	**6**	**618**
Over 90 days past due	**2,805**	**2.8**	**78**	**2,727**
	45,870		**243**	**45,627**

At 31 December 2018

	Gross carrying amount *HK$'000*	Average loss rate *%*	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
Trade receivables				
Not past due	30,512	0.2	50	30,462
0 to 30 days past due	12,547	0.4	49	12,498
31 to 60 days past due	3,268	1.2	40	3,228
61 to 90 days past due	39	1.2	—	39
Over 90 days past due	271	16.9	46	225
	46,637		185	46,452

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) *HK$'000*	Lifetime ECL (credit-impaired) *HK$'000*	Total *HK$'000*
As at 1 January 2018	—	1,607	1,607
Credit losses recognised	185	394	579
Credit losses reversed	—	(45)	(45)
As at 31 December 2018 and 1 January 2019	185	1,956	2,141
Credit losses recognised	58	—	58
Credit losses reversed	—	(160)	(160)
As at 31 December 2019	243	1,796	2,039

During the year ended 31 December 2019, the Group provided HK$58,000 (2018: HK$185,000) of credit losses for trade receivables based on the provision matrix. Reversal of credit losses of HK$160,000 (2018: credit losses of HK$349,000) was made on credit-impaired debtors.

The management of the Group considers the bank balances and certificates of deposit that are deposited with the financial institutions with high credit rating to be low credit risk financial assets. The management of the Group considers the bank balances and certificates of deposit are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered as insignificant.

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group also regularly monitors the operating cash flows of the Group to meet its liquidity requirements in short and long term. As at 31 December 2019, the Group has available unutilised banking facilities of HK$16,000,000 (2018: HK$8,628,000) to satisfy its existing liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has 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.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of reporting period.

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2019						
Trade and other payables	**—**	**10,792**	**—**	**—**	**10,792**	**10,792**
Lease liabilities	**4.99**	**1,572**	**969**	**—**	**2,541**	**2,530**
		12,364	**969**	**—**	**13,333**	**13,322**
At 31 December 2018						
Trade and other payables	—	13,217	—	—	13,217	13,217
Bank borrowings	3.52	7,372	—	—	7,372	7,372
Obligations under finance leases	3.83	1,124	3,374	1,302	5,800	5,644
		21,713	3,374	1,302	26,389	26,233

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Bank borrowings with a repayment on demand clause were included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2018, the aggregate carrying amounts of these bank borrowings amounted to HK$7,372,000. Taking into account the Group's financial position, the management of the Group did not believe that it was probable that the lenders would exercise their discretionary rights to demand immediate repayment. The management of the Group believed that such bank borrowings would be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2018	3.52	7,372	—	7,372	7,372

Fair value

The fair values of financial assets and financial liabilities are determined based on discounted cash flow analysis.

The management of the Group considers that the carrying amount of financial asset and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

29. 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 statement of cash flows as cash flows from financing activities.

			Non-cash changes					Non-cash changes		
	As at 1 January 2018	Financing cash flows	Exchange adjustments	Finance costs recognised	As at 31 December 2018	Adjustment upon application of HKFRS 16	Financing cash flows	Exchange adjustments	Finance costs recognised	As at 31 December 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Obligations under finance leases	10,997	(5,353)	–	–	5,644	(5,644)	–	–	–	–
Leases liabilities	–	–	–	–	–	8,758	(6,479)	(25)	276	2,530
Bank borrowings	6,743	629	–	–	7,372	–	(7,372)	–	–	–
Other borrowing	21,016	(21,037)	21	–	–	–	–	–	–	–
Interest payables	–	(494)	–	494	–	–	(101)	–	101	–

Note: The cash flows represent the repayment of lease liabilities/obligations under finance lease, addition and repayment of bank borrowings, and interest paid, in the consolidated statement of cash flows.

30. RELATED PARTY DISCLOSURES

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

(a) The remuneration of key management personnel who are the directors of the Company during the year was disclosed in note 10.

(b) During the year ended 31 December 2019, the Group received income for sales of novelty and packaging products totalling HK$2,910,000 (2018: HK$2,456,000), from Tse Wing Hang Limited (trading as Richmond Company), a company of which Ms. Tse, the key management personnel of the Group and her family, hold 100% equity interest.

Details of the balance with a related party at the end of each reporting period are disclosed in note 16.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The financial information of the Company is as follows:

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investment in a subsidiary	**25,001**	25,001
Amounts due from subsidiaries *(Note (a))*	**31,987**	34,551
	56,988	59,552
Current asset		
Prepayments	**231**	150
	231	150
Current liability		
Accruals	**613**	703
	613	703
Net current liabilities	**(382)**	(553)
Net assets	**56,606**	58,999
Capital and reserves		
Share capital	**10,000**	10,000
Reserves *(Note (b))*	**46,606**	48,999
	56,606	58,999

Note (a): The management of the Company considered that the ECL on amounts due from subsidiaries is insignificant having assessed the financial positions of these subsidiaries.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note (b):

	Share premium HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	43,645	25,000	(17,239)	51,406
Loss and total comprehensive expenses for the year	—	—	(2,407)	(2,407)
At 31 December 2018	43,645	25,000	(19,646)	48,999
Loss and total comprehensive expenses for the year	—	—	(2,393)	(2,393)
At 31 December 2019	43,645	25,000	(22,039)	46,606

The other reserve arose as part of the group reorganisation on acquisition of CP Printing by Wealthy Global Group Limited ("Wealthy Global") for a consideration of HK$25,000,000 from Mr. Lam, Mr. Chan and Ms. Tse.

32. PARTICULARS OF SUBSIDIARIES

The Company has direct and indirect equity interests in the following subsidiaries at 31 December 2019 and 2018:

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2019	2018	Principal activities
Directly held					
Wealthy Global	BVI	US$200	**100%**	100%	Investment holding
Indirectly held					
CP Printing	Hong Kong	HK$12,290,090	**100%**	100%	Distribution of books, novelty and packaging products
同利紙制品(河源)有限公司 (CP Printing (Heyuan) Limited)	The PRC — wholly owned foreign enterprise	HK$18,200,000	**100%**	100%	Production and printing of books, novelty and packaging products

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

33. EVENT AFTER REPORTING PERIOD

The outbreak of the 2019 Novel Coronavirus ("COVID-19") in the PRC and the subsequent quarantine measures imposed by the PRC government as the travel restrictions imposed by other countries in early 2020 have had a negative impact on the operations of the Group since February 2020, as the Group's factory is located in the PRC. The Group had to stop its manufacturing activities since February 2020 due to mandatory government quarantine measures in an effort to contain the spread of the epidemic. The Group had resumed its manufacturing activities in PRC since 10 February 2020 after obtaining the approval from local government.

The directors of the Company considered the COVID-19 had no material impact to the Group's operation as the Group's major customers and suppliers are all located outside the PRC. However, as the situation remains fluid as at the date these consolidated financial statements are authorised for issue, the directors of the Company considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to affect the consolidated results of the Group for the full year of 2020.

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**132,194**	123,812	150,367	114,260	67,985
Profit before taxation	**28,311**	21,712	4,219	13,073	8,913
Taxation	**(5,169)**	(3,874)	(4,396)	(2,379)	(1,674)
Profit (loss) for the year	**23,142**	17,838	(177)	10,694	7,239
Other comprehensive (expense) income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of a foreign operation	**(1,086)**	(2,933)	1,986	(1,065)	(567)
Total comprehensive income for the year	**22,056**	14,905	1,809	9,629	6,672
Profit (loss) attributable to:					
Equity shareholders of the Company	**23,142**	17,838	(177)	10,694	7,239

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Non-current assets	**36,824**	35,206	35,884	41,296	15,077
Current assets	**105,933**	95,172	122,525	57,181	41,027
Total assets	**142,757**	130,378	158,409	98,477	56,104
Equity and liabilities					
Total equity	**119,322**	97,266	82,361	16,617	6,988
Non-current liabilities	**—**	1,292	21,614	30,205	5,784
Current liabilities	**23,435**	31,820	54,434	51,655	43,332
Total liabilities	**23,435**	33,112	76,048	81,860	49,116
Total equity and liabilities	**142,757**	130,378	158,409	98,477	56,104